



Daily Report

LAST ISSUE

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LAST ISSUE

China

FBIS-CHI-95-140

Friday
19 July 1995

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Daily Report

China

FBIS-CHI-96-140

CONTENTS

19 July 1996

NOTICE: An * indicates material not disseminated in electronic form.

INTERNATIONAL AFFAIRS

General

PRC: Vicissitudes of Sino-DPRK Relations Viewed [Hong Kong HSIN PAO 19 Jul]	1
PRC: Spokesman Urges UK Not To Support Dalai Lama [ZHONGGUO XINWEN SHE]	2
PRC: Spokesman on Mideast Peace Process, Diaoyu Islands [Beijing Radio]	3
PRC: Wu Yi to APEC: World Benefits From PRC Joining WTO [XINHUA]	3

United States & Canada

PRC: Beam to North America Reviews 'China Can Say No' [Beijing International]	4
PRC: Socialist, Western Democracies Compared [RENMIN RIBAO 11 Jul]	4
PRC: Column Criticizes Helms-Burton Act [CHINA DAILY 19 Jul]	10
PRC: Beijing Buys Three Boeing 747s [XINHUA]	12

Southeast Asia & Pacific

PRC: Qian Qichen Meets With Fijian Prime Minister 19 Jul [XINHUA]	12
PRC: Agreement With Malaysia To Barter Wheat for Palm Oil [XINHUA]	12
PRC: CMC Vice-Chairman Meets Vietnamese Military Delegation [XINHUA]	12

West Europe

PRC: Dalai Lama Visits UK; Ready for Talks With Beijing [London PRESS ASSOCIATION 16 Jul]	13
PRC: Joint Personnel Training Program Set With British Banks [ZHONGGUO XINWEN SHE]	14
PRC: Li Peng Meets Swiss Insurance Company Chairman [XINHUA]	14

NATIONAL AFFAIRS

Political & Social

PRC: PRC 'Nuclear Reactor Pressure Vessel' for Pakistan [Harbin Radio]	15
PRC: Jiang Zemin, Li Peng Meet Security Work Delegates [XINHUA]	15
PRC: Jiang Zemin, Li Peng Meet Armed Police Representatives [XINHUA]	15
PRC: Beidaihe Meeting Reportedly To Open 20 Jul [Hong Kong MING PAO 19 Jul]	16
PRC: CPC Congress Delegates Said Facing Jiang 'Loyalty Test' [Hong Kong SOUTH CHINA MORNING POST 19 Jul]	17
PRC: Zhu Rongji Inspects Gansu, Discusses Rural Economy [XINHUA]	17
PRC: Jiang Zemin on Environmental Protection [XINHUA]	18
PRC: Commentary on National Environmental Protection Conference [CHINA DAILY 18 Jul]	20
*PRC: Unfavorable Environment for Youngsters Reviewed [ZHONGGUO QINGONG BAO 30 Mar]	21
PRC: Enforcement of Environmental Protection Laws Strengthened [ZHONGGUO XINWEN SHE]	22
PRC: Jan-Jun Nuclear Power Output Rises 50 Percent [ZHONGGUO XINWEN SHE]	23
PRC: Yang Shangkun Urges Officials to "Dash Boldly" [XINHUA]	23
PRC: Editorial on Need To Uphold 'One China' Principle [Hong Kong WEN WEI PO 18 Jul]	23

PRC: 'Internal Study' Reportedly Links Many Crimes to 'Survival' [Hong Kong SOUTH CHINA MORNING POST 18 Jul]	24
*PRC: Measures Taken To Curb Arbitrary Fee Collection [ZHONGGUO JIAOYU BAO 21 Mar]	25
PRC: Magazine Publishes Deng's Opinions on Yanan Spirit [XINHUA]	27
PRC: Filming Begins for TV Series Calling For Reunification [XINHUA]	27

Military & Public Security

PRC: Ninth Zhejiang Military District Party Congress Opens [ZHEJIANG RIBAO 25 Jun]	28
PRC: Commentator on Improving Cadres' Qualities [RENMIN RIBAO 11 Jul]	29
PRC: PLA Helicopter Patrol Succeeds Over Plateau [JIEFANGJUN BAO 20 Jun]	31
PRC: Article on Strengthening Logistical Forces [JIEFANGJUN BAO 23 Jun]	31
PRC: Hubei Sentences 46 Criminals to Death [HUBEI RIBAO 6 Jul]	32
PRC: Beijing Work in Illegal Publications Anticrime Fight Noted [XINHUA]	32
PRC: Shandong Holds Meeting on Public Security [Jinan Radio]	32
PRC: Heroin Traffickers Seized in Gansu [GANSU RIBAO 6 Jul]	33

ECONOMIC AFFAIRS

General

*PRC: Causes of Huge Savings Deposits Examined [Hong Kong CHING-CHI TAO-PAO 29 Apr]	34
*PRC: Analysis of Human Resources [JINGJI LILUN YU JINGJI GUANLI 28 Mar]	37

Finance & Banking

PRC: Zhu Rongji, Jiang Chunyun Address Rural Banking Conference [XINHUA]	43
PRC: Beijing To Issue Second Tradable Treasury Bonds [XINHUA]	44
PRC: Nation Becomes World's No. 2 Master Card User [XINHUA]	44
*PRC: Analysis of First Quarter Economic, Financial Situation [JINRONG SHIBAO 21 Apr]	44
*PRC: Gray Area of Financing Analyzed [CAIMAO JINGJI 11 Mar]	48

Foreign Trade & Investment

PRC: U.S. Ex-Im Bank Finances Power Projects [XINHUA]	55
PRC: AT&T To Maintain Long-Term Development Strategy [XINHUA]	56
PRC: U.S. Computer Company Introduces New Technology [XINHUA]	56
PRC: Coca Cola Sets Up Joint Company in Pudong [ZHONGGUO XINWEN SHE]	56
PRC: Iran To Jointly Invest in Copper Mines [XINHUA]	57
PRC: Expansion of Sino-Vietnamese Trade Noted [Beijing GUOJI SHANGBAO 4 Jun]	57
PRC: New State Policy Towards Border Trade [Hong Kong CHING CHI TAO PAO 20 May]	58
PRC: Roundup of IPR-Related Reports 9 Jun-5 Jul [NANFANG RIBAO, etc.]	59
PRC: Steps in Developing Copyright Protection Legal System Noted [Hong Kong ZHONGGUO TONGXUN SHE 15 Jul]	60
PRC: Seagate Becomes Largest Disc Driver Maker [XINHUA]	61
PRC: Chinese Firms Failing To Register Trademarks Abroad [CHINA DAILY 18 Jul]	62
PRC: Name Brand Exports Urged to Remain Competitive [Beijing GUOJI SHANGBAO 4 Jun]	62
PRC: Foreign Firms Said Driving Force Behind Shanghai Economy [ZHONGGUO XINWEN SHE]	63
PRC: Digital Network for International Business Opens in Beijing [XINHUA]	64
PRC: Three Gorges Project Worth \$10 Million Signed 18 Jul [XINHUA]	64
PRC: Port Arthur Naval Port Area Partially Opens to Foreigners [XINHUA]	64
PRC: Central-West Region 'Attractive' to Investors [XINHUA]	65

Agriculture

PRC: Science, Technology Seen Key to Anhui Agriculture Growth [XINHUA]	65
--	----

PRC: Henan Secretary Discusses Agricultural Reform [HENAN RIBAO 2 Jul]	65
--	----

REGIONAL AFFAIRS

Southwest Region

PRC: Beijing Initiates Help Tibet Culturally Project [Hong Kong SING TAO JIH PAO 28 Jun]	68
PRC: Tibet Achieves 'Steady Economic Growth' [XINHUA]	68
PRC: Move To Send Tibet Children 'Inland' for Education Viewed [XINHUA]	68
PRC: Tibet Party Secretary on Cultural, Ideological Progress [Lhasa TV]	69
PRC: Gyaincain Norbu, Gyamco Assess Tibet Economic Performance [Lhasa TV]	70
PRC: Importance of Politics in Journalism [SICHUAN RIBAO 5 Jul]	71

TAIWAN

Taiwan: 'Assured' Interests Not Damaged By Lake's PRC Visit [Taiwan Central News Agency WWW]	73
Taiwan: Telecommunications Talks With U.S. 'Remain Stalled' [Taiwan Central News Agency WWW]	73
Taiwan: Taipei Lodges Protest With Japan Over Taoyutai Islands [Taiwan Central News Agency WWW]	74
Taiwan: Official Urges Patience in Dealing With Cross-Strait Ties [Taipei LIEN-HO PAO 14 Jul]	74
Taiwan: Official: China's Dogma Biggest Hurdle to Cross-Strait Ties [Taiwan Central News Agency WWW]	74
Taiwan: Fourth China-Taiwan Relations Academic Symposium Ends [ZHONGGUO XINWEN SHE]	75
Taiwan: Mainland Oil Official on Boosting Business Ties With Taipei [Taiwan Central News Agency WWW]	75
Taiwan: Fujian's Offer of Water Said More Like 'Lip Service' [Taiwan Central News Agency WWW]	76
Taiwan: Defense Minister: 'We Are Ready for War at Any Time' [Taipei CHUNG-YANG JIH-PAO 11 Jul]	76
Taiwan: Ministry of Interior Reports No Emigration Rush in 1995 [Taiwan Central News Agency WWW]	76
Taiwan: President Li Meets Canadian Parliamentarians [Taiwan Central News Agency WWW]	77
Taiwan: Honduran President Entertains Li Teng-hui at Luncheon [Taiwan Central News Agency WWW]	77
Taiwan: Honduran President Recalls Welcome at National Assembly [Taiwan Central News Agency WWW]	77
Taiwan: Visiting Honduras President Honors CNAIC Chairman [Taiwan Central News Agency WWW]	78
Taiwan: TAIWAN JIH PAO To Cease Publication 15 Jul [Taipei Radio]	78
Taiwan: Newspaper Workers Threaten To Burn KMT Membership Cards [Taipei CHUNG-KUO SHIH-PAO 15 Jul]	78
Taiwan: Government Deficit at Record High in Fiscal 1995 [Taiwan Central News Agency WWW]	79
Taiwan: Finance Ministry Reports Increase in Government Assets [Taiwan Central News Agency WWW]	79

HONG KONG & MACAO

Hong Kong

Hong Kong: Commander Reaches 'Consensus' on Hong Kong Defense [Beijing TV]	80
Hong Kong: Commander Reaches Accord on Hong Kong Defense [XINHUA]	80
Hong Kong: PLA Garrison Warned Against Fast Women, Fast Money [Hong Kong SOUTH CHINA MORNING POST 18 Jul]	80
Hong Kong: PLA Garrison Commander Ends 3-Day Visit 18 Jul [Hong Kong TV]	81
Hong Kong: PLA Garrison Chief Advised To Be "Frank" With Public [Hong Kong SOUTH CHINA MORNING POST 19 Jul]	81
Hong Kong: PLA Garrison Commander Says Troops 'Civilized' [Hong Kong TV]	82

Hong Kong: Future PLA Garrison Chief: No Reason To Fear Troops [Hong Kong HONGKONG STANDARD 18 Jul]	82
Hong Kong: Legal Panel on Hong Kong Residents Identity [XINHUA]	83
Hong Kong: Hong Kong Name, Flag in Sports Meets to Change After 1997 [XINHUA]	84
Hong Kong: International Mobile Phone Service Begins to Hong Kong [ZHONGGUO XINWEN SHE]	85

General

PRC: Vicissitudes of Sino-DPRK Relations Viewed
HK1907062596 Hong Kong HSIN PAO (HONG KONG ECONOMIC JOURNAL) in Chinese 19 Jul 96 p 15

["Beijing Political Situation" column by Jen Hui-wen (0117 1979 2429) on 17 July 1996 in Beijing: "Inside Story of Vicissitudes of Sino-DPRK Relations"]

[PTS Translated Text for FBIS] This year marks the 35th anniversary of the signing of the PRC-DPRK Treaty of Friendship, Cooperation, and Mutual Assistance. In early July, Korea (North Korea) sent a Korean friendship delegation led by DPRK Vice Premier Kim Yun-hyok to Beijing to participate in the commemorative activities. China sent a Chinese friendship delegation led by Luo Gan, state councilor and secretary general of the State Council, to Pyongyang to take part in the commemorative activities. Luo Gan conveyed the decision made by the Chinese party and government on offering further grain aid gratis to Korea. Reportedly, following the 20,000 tonnes of grain promised to Korea in May, China has decided to offer another 100,000 tonnes of grain to help Korea tide over the famine resulting from last year's floods. At the same time, CPC General Secretary and President Jiang Zemin stated that China and Korea are neighbors. The Chinese party and government have always believed that consolidating and developing Sino-Korean friendship is very important. China will continue to make unremitting efforts in this regard. This is an indication of an improvement in ties since their relations cooled following the establishment of diplomatic relations between China and South Korea in 1992. However, it would be too optimistic to believe that the two countries will restore the past state of "fraternal neighboring countries as closely related as lips and teeth."

North Korea Threatens To Go In For "Two Chinas"

According to a Beijing source, China had to increase the amount of grain aid to North Korea because of the "trouble" stirred up by the latter. North Korea was suffering from famine because of last year's floods, and asked China for 200,000 tonnes of grain earlier this year. As it was a too big demand, China at first promised to offer 20,000 tonnes. North Korean leader Kim Chong-il flew into a rage when he heard the news. He immediately held a special meeting of the Labor Party Central Committee and made a decision on developing economic ties with Taiwan. A delegation comprising two vice ministers (of which one would be a vice economic minister) was to pay a five-day visit to Taiwan.

According to an internal journal in Beijing, a North Korean document said: "We have always adhered to the 'one China' position and have not maintained ties with Taiwan. However, the Chinese authorities do not respect us. China supported peaceful reunification of the Korean peninsula in the past, but its formulation now is to maintain peace and stability in the peninsula, which is tantamount to supporting a splitting of the peninsula. Following the establishment of diplomatic relations between China and the ROK in 1992, Sino-ROK relations have been superior to Sino-DPRK relations. Since they (referring to China) do not care about a split between the north and the south, we will no longer stick to the one China position. We can develop ties with Taiwan and make money."

As a result, North Korea planned to develop new DPRK-Taiwan relations based on economic ties. Taiwan adopted the tactics of "giving in order to take," and promised to meet conditionally North Korea's request for 200,000 tonnes of grain. Taiwan would first offer 30,000 tonnes, and deliver the remainder after a bilateral agreement was reached. Taiwan's ill-intent was: It is worth exchanging 200,000 tonnes of grain for turbulence on the mainland.

A Beijing expert in international affairs believed that North Korea's behavior was perfidious in saying that "I will not care about one China, since you do not care about a split between North and South Korea." Relations across the Taiwan Strait are entirely different from those between North and South Korea. The countries that have established diplomatic ties with China (the number exceeds 150 so far, including North Korea) have all acknowledged that the PRC is the sole legitimate representative of China and that Taiwan is an inseparable part of China. Moreover, China established diplomatic ties with South Korea after both North and South Korea joined the United Nations in 1992 and the late Kim Il-sung proposed reunification of the country based on the federal system characterized by "one nation, one country, two systems, two governments." The two cannot be mentioned in the same breath. If North Korea continues along this line, it will eventually lead to grave consequences.

Kim Chong-il Sets Six-Point Demand on China

The source said: North Korea was not content with the request for China to provide 200,000 tonnes of grain in aid. In early July, it passed on a letter from Kim Chong-il to Jiang Zemin and Li Peng through its embassy in China, setting forth a six-point demand: That 1) both the DPRK and China reaffirm their responsibilities and obligations to the treaty of friendship, cooperation, and mutual assistance;

2) on the occasion of the 35th anniversary of signing of the Sino-DPRK Treaty of Friendship, Cooperation, and Mutual Assistance, China make known its stand of support for the principles and policies of the Korean Labor Party and Government; 3) senior party and government leaders of the two countries exchange visits in the fourth quarter of this year and issue a communique of mutual support; 4) from this fiscal year to the 1997 fiscal year [as published] China provide the DPRK with 5 billion yuan (renminbi) worth of grain, goods, fuel oil, means of transport, heavy-duty machinery, and light industrial products; 5) China provide the DPRK with \$1.5 billion for the purchase of military equipment and replacement parts from Russia; and 6) China provide the DPRK with three missile speedboats and 40 missiles, as well as 12 Jian-7II's (an improved type of Mig-21) and parts for them.

With regard to Kim Chong-il's demand, China first made a two-point response through Zou Jiahua, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, when he met with the visiting Kim Yun-hyok on 8 July. 1) The Chinese party, Government, and people have always cherished and treasure the Sino-DPRK Treaty of Friendship, Cooperation, and Mutual Assistance, which is a symbol of the traditional friendship between the two countries. As Chinese party and Government leaders Jiang

Zemin and Li Peng have a tight work schedule this year, it is perhaps difficult for them to visit the DPRK and it is hoped allowance can be made for this. China will send Luo Gan, state councillor and secretary general of the State Council, to visit the DPRK. 2) With regard to aid and goods for people's basic livelihood and use, we shall try our best, but we are still unable to meet the DPRK's demand. China reportedly made it clear to the DPRK later that from this fiscal year to the 1997 fiscal year [as published], China will provide the DPRK with 480 million yuan (renminbi) in material aid and \$20 million in interest-free loans for a period of 10 years.

The Beijing expert in international affairs pointed out: China has never suspended its aid to North Korea; one may say that by trying its best to meet the latter's needs China has done what is humanly possible. China has pursued a pragmatic diplomacy since the start of reform and opening up. It is no longer engaged in the selfless aid characterized by the practice of "puffing itself up at its own cost" during the ultra-leftist years. But North Korea, which does not want to reform and is shameless, constitutes a burden to China both economically and politically. China is indeed faced with a hard nut to crack because it does not want to see the collapse of North Korea but finds itself unable to meet all its demands.

Deng Thinks North Korea's Way Out Lies in Reform

The source added: The Chinese leaders see clearly that instability in North Korea will affect stability on the Korean peninsula and that instability on the Korean peninsula will be detrimental to peace in Asia and the rest of the world and thus do no good to China's economic construction. But North Korea's stability depends on its ability to extricate itself from its economic predicament. In view of this, China considered restoring the policy of selling goods to North Korea at friendly, preferential prices to help it tide over its economic difficulties.

In early 1990 China rescinded this policy. It asked North Korea to buy goods according to international market prices and pay for them in convertible currencies. The fact that China has restored this preferential policy and incorporated it in the Ninth Five-Year Plan shows China's consistent stand on stabilizing the Korean peninsula.

In China's view, however, North Korea has to take the road of reform in order to extricate itself from its economic predicament once and for all. When meeting with visiting North Korean Premier Kang Song-san in 1993, Deng Xiaoping especially explained to them the importance of reform. He stressed: If the economy fails to develop, there will be a lot of trouble. Perhaps the system in South Korea will swallow that of North Korea after some years. At that time, Kim Il-song still sent a telegram to Deng Xiaoping, thanking him for his advice and saying that the Korean Workers' Party would study China's view seriously. But the situation has changed since Kim Il-song passed away. Will Kim Chong-il, who is more "leftist" than Kim Il-song, take Deng Xiaoping's view into consideration? Only God knows!

PRC: Spokesman Urges UK Not To Support Dalai Lama

OW1907002396 Beijing ZHONGGUO XINWEN SHE in Chinese 1425 GMT 18 Jul 96

[FBIS Translated Text] Beijing, 18 Jul (ZXS) — Cui Tiankai, PRC Foreign Ministry spokesman, said on the afternoon of 18 July that the British side should fulfill its commitment that Tibet is a part of China and should not support, in any form, the Dalai clique's activities to split the motherland.

Cui Tiankai emphasized once again that Tibet is an inalienable part of China and that the Tibet issue is entirely China's internal affair and that no foreign government, organization, or individual has any right at all to interfere in it. The Dalai Lama is a political

fugitive, who has for a long time engaged in activities abroad to split the motherland and sabotage the unity of the nationalities. The British side is supporting and abetting the Dalai in carrying out activities in British territory to split the motherland. This has not only violated the international norms of relations and hurt the feelings of the Chinese people, but will also have an adverse effect [zao cheng bu li ying xiang 6644 2052 0008 0448 1758 0742] on Sino-British relations.

At a Foreign Ministry press conference held on Tuesday [16 July] of this week, a Hong Kong reporter asked about the Dalai's visit to Britain at the invitation of the Tibet Group of the British House of Commons. At today's press conference, a Hong Kong reporter again asked about the same issue. To this, Cui Tiankai reaffirmed the above principled stance of China. Regarding the issue of talks between the central government and the Dalai, the spokesman gave a longer reply than last time.

He said: The central government contacted a representative of the Dalai in the past. In the future, the big door to talks remains wide open [tan pan de da men ye shi chang kai de 6151 0445 4104 1129 7024 0048 2508 2412 7030 4104]. However, there is only one principle, that is, all can be discussed except Tibet independence. On this issue, there is no need for foreigners to have a hand in it either. Viewed from the Dalai's words and deeds, on the one hand he asserts that he does not demand Tibet independence; but, on the other hand, he advocates everywhere that Tibet is a so-called independent country occupied by China. This shows he has no sincerity at all for talks [gen ben mei you tan pan de cheng yi 2704 2609 3093 2589 6151 0445 4104 6134 1942].

**PRC: Spokesman on Mideast Peace Process,
Diaoyu Islands**

*OW1907014396 Beijing Central People's Radio
Network in Mandarin 2230 GMT 18 Jul 96*

[From the "National Hookup"]

[FBIS Translated Text] Foreign Ministry spokesman Cui Tiankai answered reporters' questions on 18 July.

A reporter asked: The peace process in the Middle East is deadlocked at present. Do you have any comment on this?

Cui Tiankai replied: The Chinese Government is deeply concerned about the difficulties currently facing the Middle East peace process. China has consistently held that the parties concerned should settle the Middle East issue in a comprehensive and fair manner through

political talks based on relevant UN resolutions and the principle of "land for peace."

He expressed the hope that the parties concerned will set the overall interest of the region above everything else, remove disturbances, overcome obstacles, and continue the peace process. China will, as always, make unremitting efforts to work together with the international community for the early realization of a comprehensive and fair peace in the Middle East.

Another reporter asked: Some Japanese right-wingers have built a lighthouse on one of the Diaoyu Islands. What is China's reaction to this?

Cui Tiankai replied: The Diaoyu Islands and other islands have been a part of China's territory since ancient times. Some people in Japan have presumptuously built facilities on the islands. This is a serious violation of China's territorial integrity and sovereignty. We express deep concern over this and demand that the Japanese Government take effective measures at once to iron out undesirable effects caused by this.

**PRC: Wu Yi to APEC: World Benefits From PRC
Joining WTO**

*OW180712:796 Beijing XINHUA Domestic Service
in Chinese 1449 GMT 16 Jul 96*

[By reporter Chen Jinjun (7115 6651 6511)]

[FBIS Translated Text] Christchurch (New Zealand), 16 Jul (XINHUA) — The two-day APEC [Asia and Pacific Economic Cooperation] ministerial meeting ended here this evening. The "Chairman's Declaration" released by the meeting pointed out that members of APEC are making efforts to realize the goal of trade liberalization.

At a joint press conference with heads of the delegations from various APEC members, Philip Burdon, chairman of the current meeting and minister of commerce, industry, state-owned enterprises, and trade negotiations of New Zealand, said that the meeting was "successful" and "constructive." The meeting achieved unanimity on many issues it had discussed.

The "Chairman's Statement" released at the conclusion of the meeting said the main theme of the meeting was "opening up regions" to support the multilateral trade system, pointing out that "since its inception, APEC has stressed the importance of a multilateral trade system which is open, is established on the basis of rules, and is nondiscriminatory."

The "statement" said the meeting reviewed APEC's Bogor Declaration and the Osaka "Action Agenda." The "statement" pointed out that members of APEC are striving to realize the goals formulated by the Bogor

Declaration through their respective individual action plans [IAP] and through the collective action of APEC, thereby making contributions to creating a more open trade environment in the world.

Discussing the implementation of the World Trade Organization's Uruguay Round agreements, the "statement" pointed out that the participants of the meeting expressed disappointment with the fact that only the agreement on one of the four service sectors involved in the Uruguay Round talks was implemented. The meeting noted that the action of realizing liberalization in other fields was included in the IAP's of APEC members.

Answering a question concerning China's joining the World Trade Organization at a press conference, Chinese Foreign Trade and Economic Cooperation Minister Wu Yi once again stressed: "China's position on joining the World Trade Organization has not changed. China has not only adopted a positive attitude but has also performed many positive actions. China's joining the World Trade Organization will benefit not only China but also the world."

United States & Canada

PRC: Beam to North America Reviews 'China Can Say No'

OW1807134096 Beijing China Radio International
in English
to Western North America 0400 GMT 18 Jul 96

[Xie Fei report; from the "Current Affairs" program]

[FBIS Transcribed Text] A recently published book entitled "China Can Say No" has aroused attention among intellectuals in China and around the world. The book says that China should choose its own road and say no in response to unreasonable requests from Western countries. Xie Fei has this report:

[Begin Xie recording] The book "China Can Say No" says that criticism of China's stand on trade, human rights, and the Taiwan issue launched by the United States is ridiculous. It points out that the United States cannot run any country other than itself, and the same is true of Japan. China's position is that it does not want to run any other country.

The 435-page book depicts the twists and turns of the Sino-U.S. and Sino-Japanese relations from the writers' personal point of view. It also analyzes the U.S. containment policy toward China after the Cold War. The book was written by a group of young men, including a journalist, an editor, a teacher, a poet, and a freelance writer.

Zhang Xiaobo, a poet who helped to organize the compilation of the book, says he first planned to write such a book about two years ago. Zhang Xiaobo says the thing that helped him most to write the book was a survey conducted by the CHINA YOUTH NEWS. The survey showed that Chinese youths both like and dislike the United States. This is a psychological contradiction. Actually, he had similar feelings. He liked the American novels and films. Whenever he talked with people who had been to America, he felt admiration. However, now he feels it is loathsome to have such a pro-American thought. The United States has no right to act as an international judge telling China what is right or wrong. China and the United States should be on an equal footing.

Song Xiang, a teacher and editor, criticizes those Chinese who have pro-American feelings. He says when people admire America, many Chinese feel a loss of self-respect. Song Xiang adds that Chinese people should consider their feelings from another point of view as well. Song Xiang says only those who can analyze and who dare to deny themselves can claim a strong sense of nationality. This book shows that Chinese youths are back on the right track. It is meant to warn the Chinese people against pro-American feelings more than to warn Americans against anti-Chinese feelings.

Yu Cheng-yu, vice director of China's Human Rights Research Institute, read the book and expressed his point of view. Yu Cheng-yu says the book accurately represents many young people's viewpoints. It is not only a reflection of the common people's views, but also a reflection of China's foreign policy. The writers stress that Chinese people should say No to those countries who are not friendly to China, but first they should say No to themselves, then they should be confident and stand up for their beliefs. The writers agree that there are some problems in China, but the Chinese people can solve them themselves.

For China Radio International, I am Xie Fei. [end recording]

PRC: Socialist, Western Democracies Compared

HK1907092096 Beijing RENMIN RIBAO in Chinese
11 Jul 96 p 9

[Article by Zheng Hangsheng (6774 2635 3932): "Drawing a Line of Demarcation Between Socialist Democracy and Congressional Democracy of the West"]

[PTS Translated Text for FBIS] In his speech delivered at a national meeting of propaganda chiefs held this year, Comrade Jiang

Zemin pointed out: With regard to matters of principle, leading cadres must take a clear-cut stand, and pay attention to drawing clear distinctions on some issues. A distinction between socialist democracy and congressional democracy of the West is one of the distinctions we must draw. From both general and particular angles, the so-called drawing a line of demarcation between socialist democracy and congressional democracy of the West means that we must clearly understand their respective particularity on the basis of their generality. Drawing a line of demarcation between them, and correctly understanding the essence of the developmental tendencies of these two trends of thought is of important significance to boosting our national self-confidence, persisting in the theory of building socialism with Chinese characteristics, and sticking to the correct political orientation.

Generality and Particularity of Democracy

The generality or universality of democracy refers to the essential stipulations [ben zhi gui ding 2609 6347 6016 1353] of democracy and its general principles. The particularity of democracy refers to the diversified forms which reflect the above-mentioned essential stipulations and general principles. Such diversified forms are rooted in specific conditions such as the social systems, historical backgrounds, international and external environments, cultural traditions, and levels of development of various countries. The generality and particularity of democracy can be explained from various angles. We observe them mainly from the following two aspects.

First, democracy of a state form [guo jia xing tai 0948 1367 1748 1966] and democracy of a non-state form [fei guo jia xing tai 7235 0948 1367 1748 1966]

The word "democracy" originates from people, rule, government and power in Greek. Its etymological meaning is "political power of the people," "rule by the people" and "people being the masters of their own affairs." Therefore, judged from its origin, democracy means the state system and state form. Today, we still use the word democracy mainly with this meaning.

If we make a further analysis, we know that being the master of one's own affairs and enforcing rule are inevitably related to political power and civil rights. That which is related to political power is democracy in the form of the state, or the state system. The content in this regard constitutes [guo cheng 2845 2852] democracy of a state form. This is the main connotation of democracy. That which is related to civil rights is the mode of behavior of the members of society, and their mutual relationships. The content in this regard constitutes democracy of a non-state form. The democratic work style, democratic procedures, democratic rights, and so on which people

generally talk about mainly refer to democracy of a non-state form. This is the secondary, but certainly not unimportant, connotation of democracy. As far as a ruling party is concerned, it should place equal emphasis on these two aspects of building democracy. As far as members and cadres, and especially leading cadres, of a ruling party are concerned, they must attach importance to democracy of a non-state form in their activities including democratic work style, democratic procedures, respect for democratic rights, and so on. This is because the broad masses of people usually assess democracy of a state form from democracy of a non-state form.

Democracy of a state form mainly includes the following contents: On the basis of fully considering people's aspirations and interests, power is created and distributed through the direct or indirect participation of the people. The principles and procedures for exercising power are stipulated. The positions and mutual relationships of various circles and social organizations, namely various interest groups, in the social power system at different stages are clearly defined. The basic regulations for determining impermissible behaviors and sanctions on them are formulated. The characteristics of a democratic state system are: Power is exercised in the people's interests on the profound basis of the masses. In the meantime, it is supervised by the people. Therefore, such a system of power is based on broad social legality. Basically speaking, only the socialist democratic state system can truly manifest such characteristics. The capitalist democratic state system can, at most, manifest them in name only.

Democracy of a non-state form can also be viewed from both state system and political system. Democracy of the state system stipulates the people's status as being masters of their own affairs. Democracy of the political system works out the mode by which the people become masters of their own affairs. For example, as far as our state system is concerned, our socialist democracy is a people's democratic dictatorship based on a worker-peasant alliance led by the working class. It stipulates the status of our people as being masters of their own affairs. As far as our political system is concerned, our socialist democracy is based on the National People's Congress [NPC] system, and local people's congress system formed in accordance with the principle of democratic centralism. This has established the form of our people being the masters of their own affairs.

Democracy of a non-state form mainly includes the following contents: 1) Establishing relations between people on the basis of citizens' personality equality [ren ge ping deng 0086 2706 1627 4583]; 2) entrusting to each and every citizen the same degree of power and corre-

sponding responsibilities and duties; 3) recognizing and affirming citizens' independent personalities and dignity. The most important characteristics of democracy of a non-state form are: Taking personality equality as a prerequisite, recognizing citizens' independence and initiative, and entrusting to them freedom and rights and corresponding duties, so that members of the society can give full play to their creativity and vigor.

Democracy of a non-state form can also be reflected in people's behavior of being the masters of their own affairs and their mutual relationships under a particular state and political system. As far as China's socialist democracy is concerned, democracy of a non-state form means that under the above-mentioned state and political system, our constitution and laws protect citizens' basic rights and duties. This indicates the behavior of our people of being the masters of their own affairs, and their mutual relationships.

The reason democracy of a state form and democracy of a non-state form are popular is because all kinds of democracy have these two forms without exception. The reason they are particular is that in different countries these two forms of democracy are different, and their relations are also different.

Second, there are three principles governing democracy: The principle of majority, the principle of procedure, and the principle of minority.

After viewing democratic practice of different types and forms in various modern countries, one will find that a political democratic system of a state form contains the above-mentioned three principles.

The principle of majority, namely, the principle of the minority being subordinate to the majority, means that "rule by the people" and "people being the masters of their own affairs" in political democracy actually refers to the rule of the majority of the "people," and the acts of determining the establishment and changes of government, and making other political decisions in accordance with the will of the majority of people. The principle of majority is the soul of the democratic system. Without it, there would be no democracy. Generally speaking, in normal political behavior, whether the minority is subordinate to the majority is one of the manifestations of the democratic concept.

The so-called principle of procedure refers to political decisions. It means that both democratic political decisions and democratic elections are legal and observable procedure and regulations. Such procedure and regulations are generally stipulated by the constitution and laws. The will of the majority of the

people can be manifested and recognized only through legal procedure. Once legal procedure is set, it is not easy to change it. Violating and undermining legal procedure will be treated as violating and undermining the democratic system. Constraints on power are realized through legal procedure which reflects the principle of procedure.

The so-called principle of minority refers to a demand of democratic politics: As long as a minority obeys the adjudication of the majority, it is allowed to have reservations. Legitimate interests of a minority should be protected. A minority must not be discriminated against or even suppressed because of holding divergent views. Without this principle, democracy is not perfect. With the advance of democratic procedure, people attach more and more importance to the principle of minority.

Now we have further realized that democracy mainly embodies a state form and state system enabling people to become the masters of their own affairs through the principle of majority, the principle of procedure, and the principle of minority. This is the generality of democracy. Bourgeois democracy, namely democracy in countries with bourgeois dictatorship, is democracy of a tiny number of bourgeois elements. Corresponding to bourgeois democracy as a state system, bourgeois democracy as a political system usually adopts the form of parliamentary democracy. Parliamentary democracy of the West is not a pattern. The most typical parliamentary democracy of the United States mainly consists of a general election system, a two-party system, a parliamentary system, and the separation of the three powers. When the proletariat, laboring people and their allies, are truly enjoying the democratic right of being the masters of their own affairs, such democracy is socialist democracy. China's socialist democracy is different from U.S.-style Western democracy in terms of state system and political system. This is the peculiarity of our democracy.

U.S.-Style Parliamentary Democracy: A Particular Democracy and Trend of Thought That Has Begun To Decline

Democracy in various countries of the world has its generality and peculiarity. This is an objective fact and very normal. What is abnormal is that the United States treats its particular kind of parliamentary democracy as the only popular kind, and makes wild boasts about it. It treats other forms of democracy as undemocratic, and falsely accuses our socialist democratic system of being a "totalitarian system." It completely negates the particularity of democracy. In so doing, it steps into the old shoes of the European centralism of the 19th

century, and follows the evil path of taking the United States as the core.

Actually, U.S.-style parliamentary democracy is not the most ideal democratic system, as the United States has boasted, or as some people have beautified it. It is a democracy of a tiny number of exploiting class elements based on the privatization of the means of production. It is only more ingenious, cunning, deceptive and hypocritical in covering up the actual inequality with equality in form. This is reflected in various aspects of U.S. parliamentary democracy: The general election system and election activities are a manifestation of the form of democracy of which Americans are always proud. However, this kind of U.S.-style democracy has increasingly become a big gambling contest of spending money. Therefore, it is gradually coming to no longer appeal to the common people. Let us take the U.S. presidential election as an example. The U.S. Constitution stipulates that citizens aged 18 or above have the right to vote (this stipulation was made in 1971 after the United States approved its 26th Constitutional Amendment Bill). Any U.S.-born citizen aged 35 and above who has resided in the United States for more than 14 years has the right to be elected president of the United States. At a glance, it is truly equal. It seems that everyone can become president. In the United States, which is the "heaven of the rich and hell of the poor," the majority of common people cannot afford to pay or raise election expenses amounting to tens of thousands of U.S. dollars. Therefore, the U.S. election system is an election system with money as a lubricant. The CHRISTIAN SCIENCE MONITOR described the New York City mayoral election held a few years ago as a "big auction of democracy." Are not other elections in the United States, including presidential elections, the same? It is precisely for this reason that Americans in general are not enthusiastic in participating in elections. In this century, the highest presidential election participation rate was only 65 percent.

The congressional system or parliamentary system is also something which Americans like to brag about. Making use of the characteristics that American congressmen are directly elected, that Congress has legislative power, and that Congress can supervise the government, American ideologists describe congressmen as the representatives of "all the people," and Congress as a symbol that state power "rests with the people." However, an election system with money as a lubricant is bound to produce a congress monopolized by a tiny number of wealthy people. The U.S. Congress comprises the Senate and the House of Representatives. According to statistics compiled in 1994,

out of 100 senators, 28 were millionaires. Of the total of 434 members of the House of Representatives, 50 were millionaires. Millionaires accounted for 28 and 11.5 percent respectively of senators and members of the House of Representatives. U.S. congressmen belong to the wealthy class if they are not millionaires. THE WASHINGTON POST revealed the actual state of affairs: The U.S. Congress is a "congress of the rich, ruled by the rich, working for the benefit of the rich."

The two-party system is another example of democracy which Americans like to flaunt from time to time. The so-called "two-party system" mainly refers to the system of the two major bourgeois political parties—the Democratic Party and the Republican Party—taking turns at ruling the country. Outwardly, the two parties take turns at ruling the country. "I take the stage after you have finished singing," and when one party is holding office, the other party becomes the opposition party. It seems that a "democratic" atmosphere is prevailing in the country. Actually, first, no matter which party is holding office, it implements bourgeois policies; second, various bourgeois groups fight against and constrain each other to secure control of the government through the two-party system with the aim of placing the government under the supervision of the entire bourgeoisie, and preventing the government from serving the interests of one bourgeois group only; and third, the two-party system is a trick used by the U.S. bourgeoisie to ease its contradictions with the broad masses of people. It guides the laboring people to vent their spite upon the ruling party, and place their hopes on the new policies to be implemented by the other party when it takes office. In this way, they will not suspect or thoroughly reform the capitalist system.

The Americans laud to the skies the separation of the three powers, or the "tripartite" political system. We never intend to negate the progressive role of the principle of the separation of the three powers in the struggle against feudalism, and the positive role it played during a certain period after the establishment of the rule of the new emerging bourgeoisie. We also respect the choice of the American people. What we cannot accept is their description of the separation of the three powers as something perfect, and their imposing the system on us. First, the "tripartite" political system has at least two limitations. The first limitation is its class limitation: When the bourgeoisie had consolidated its rule, the separation of the three powers was gradually changed from the anti-feudal "class separation of powers" into a division of functions under the monopolistic rule of the bourgeoisie.

It became one of the ingenious tools for adjusting bourgeois internal relationships, covering up bourgeois dictatorship, beautifying capitalist democracy, and deceiving the laboring people. The second limitation is the limitation of its implementation. Actually, it is sometimes impossible to implement the system. In the United States, there has been a tendency of increasingly expanding administrative power. For example, the U.S. Constitution stipulates that all legislative powers are exercised by the Congress. Actually, the President plays an important role in U.S. legislation. He not only has a considerable affect on legislation through various means, but also possesses some direct legislative powers. On the one hand, the President has the power to propose bills. People have estimated that about 80 percent of the laws adopted by the U.S. Congress are first proposed by the President, or the administrative organs. On the other hand, the President has the power of veto, which is an important means used by the President to affect and interfere with the legislation of the Congress. According to statistics, from President Washington to the first 27 months of the first tenure of President Nixon, the 37 presidents exercised their power of veto on 2,277 occasions. In only 77 cases was the President's veto overruled after review by Congress, accounting for only 3.4 percent of the total. Furthermore, China must never indiscriminately copy the tripartite system. Comrade Deng Xiaoping has repeatedly pointed out: As far as political structural reform is concerned, one thing is certain. In other words, we must implement our people's congress system rather than copying indiscriminately the so-called democracy of the West, or their tripartite system. Otherwise, a chaotic situation will definitely appear in China. The U.S. electoral system, parliamentarism, the two-party system, and the separation of the three powers mainly demonstrate the reserved aspect of U.S. bourgeois democracy. It should be pointed out, however, that apart from the reserved aspect putting up a front, U.S. democracy has another, uncovered and naked, aspect, namely, when bourgeois rule is exposed to danger and the bourgeoisie's interests are infringed upon, the U.S. Government will suppress the dissidents, showing them no mercy. This was born out by the facts in the 1960's and 1970's.

Such a special form of parliamentary democracy is a product of U.S. social development. Its positive and negative experiences can serve as useful reference in our endeavor to develop socialist democracy in China. The United States, for example, pays greater attention to developing specific systems, and this serves to cover up and reduce the shortcomings of its basic social system to a considerable extent. One of our past lessons is that while stressing the superiority of our basic

social system, we neglected the need to develop specific systems. Without specific systems, the superiority of the basic social system could not be displayed.

Practicing such a special form of democracy is the United States' own business. It has nothing to do with us. But developing such a special form of parliamentary democracy into a U.S.-centered democracy [min zhu zhong di mei guo zhong xin zhu yi 3046 0031 0022 4104 5019 0948 0022 1800 0031 5030] is another matter. The United States gives concentrated expression to that U.S.-centered democracy mainly by imposing its democratic concepts, systems, criteria, and models upon developing and socialist countries, and to this end it does not hesitate to create various false excuses and to interfere in other countries' internal affairs. U.S.-centered democracy has at least three characteristics.

1. It is hegemonist in nature. Given this nature, countries in the world are divided into two groups: Those following the Western model are termed "democratic countries," while those refusing to do so are "totalitarian countries." They have also come up with the following logic: In the "democratic countries," democracy, freedom, and human rights are naturally available, even though they are actually unavailable; while in the "totalitarian countries," democracy, freedom, and human rights are naturally unavailable, even though they are actually available. These self-styled "teachers" — Western countries headed by the United States, who do not consider themselves ordinary beings — have all along regarded the special criteria of their own countries or their own regions as international criteria, and accused their "students" of not blindly following their example.

2. It displays hypocrisy. Democracy and human rights are clearly means in the hands of the U.S. Government to secure selfish interests, but they pretend they are defending democracy and human rights in other people's interests. Examples are too numerous to mention one by one. For instance, their troops arrested the Panamanian head of state and brought him to trial in the United States under the excuse of defending "democracy, freedom, and human rights" in Panama.

3. It is politicized. Democracy and human rights in the hands of Western countries headed by the United States are weapons to wage ideological war against socialist and developing countries and weapons to achieve Westernization, division, and peaceful evolution.

U.S.-centered democracy is an ideological trend already on the wane and has become more and more unpopular.

— The United States has repeatedly suffered setbacks in the ideological war it has waged on the platform of the

United Nations in the name of "democracy, freedom, and human rights."

— Malaysia, Indonesia, Singapore, China, and other Asian countries are more and more critical of U.S.-centered democracy.

— The United States and other Western countries have mandatorily pursued Western parliamentary democracy in Africa, but they have rejected responsibility for the consequences, such as political chaos and economic recession, arising therefrom. This bad performance has been attacked by a number of African state leaders. For example, Zimbabwean President Mugabe pointed out in April 1996: "The Western countries have, by offering money, wanted Africa to pursue the policies they favor. But the danger is that as a result democracy is man-made"; "democracy will not be defeated by a powerful political party. The multiparty system is possibly a very false democratic label."

— U.S.-style democracy and hegemonism has even been criticized by the French press: "When people see agitators, U.S. Constitution in hand, lobbying around the world to market U.S.-style democracy, they begin to worry whether the countries visited by the agitators can choose, of their own free will, the political system beneficial to their economic and social development."

U.S.-centered democracy has also come under fire in the United States. On 5 February 1996, former U.S. Secretary of State Haig said in Singapore that the United States would give up its policy of pursuing U.S.-style democracy in China and other regions in Asia, adding that U.S. foreign policy was "shifting in the direction of favoring key interests, which are different from idealistic values such as human rights." He warned: "If you treat human rights as the only core of the target of your foreign relations, you will be defeated." The emergence and increasing numbers of people with such breadth of vision suggests, in a sense, that U.S.-centered democracy is on the decline.

China's Socialist Democracy: The Force at the Core of Resistance to U.S. Centralism and an Ideological Trend Having Greater and Greater Impact]

Socialist democracy is not the product of the brain of a genius, neither has it appeared at man's will. It is a new type of democracy which was bound to come into being after the basic drawback of bourgeois democracy was removed. The basic drawback of bourgeois democracy is that it is democracy based on capitalist private ownership serving the interests of a few people in the exploiting class. This drawback finds expression especially in its divergence from social justice. Integrating democracy with social

justice necessarily gives rise to socialist democracy. The key to integrating democracy with social justice lies in the removal of private ownership of the means of production so that the overwhelming majority of members of society will become owners of the means of production and thus masters of their own destiny. This provides the basic guarantee for them to express and safeguard their rights and interests. In this sense, we can safely say that without the right to economic equality, there would be no politically guaranteed democratic rights. Only on the basis of socialist public ownership can "rule by the people" actually give expression to rule by the majority of members of society.

So, what is the difference in principle between socialist democracy, especially China's socialist democracy, and Western parliamentary democracy considered as typical of bourgeois democracy, especially U.S.-style democracy?

First, in terms of the economic basis of democracy, socialist democracy is based on the public ownership of the means of production, while Western parliamentary democracy is based on the private ownership of the means of production. This difference determines the following two differences.

— As viewed from the relationship between democracy and social justice, Western parliamentary democracy based on the private ownership of the means of production conceals actual inequality with formal equality, making it impossible for democracy to be integrated with social justice, while under socialist democracy based on the public ownership of the means of production, the abolition of the system of suppression and exploitation of man by man makes it possible for formal equality to gradually change into actual equality, thus integrating the realization of democracy with the elimination of social injustice.

— As judged from the angle of majority or minority rule, socialist democracy is democracy for the majority and means that the masses, with laboring people as the dominant body, act as masters of their country, so the applicability of Western parliamentary democracy is no match for that of socialist democracy. Therefore, socialist democracy is democracy worthy of the name. In contrast with socialist democracy, bourgeois democracy is democracy for a few people and for the rich, serves the interests of a few rich people, and can in no way represent the interests of the working class and the broad masses of laboring people. This is a truth accepted worldwide. Looking upon this as the "weakness" of the United States, the French press said: "Americans, how-

ever, have their weak points, of which the most spectacular has been identified by other people, that is, the U.S. system favors the rich to the neglect of the poor. There is always bitter competition in U.S. society, and American people seem to be taking part in a 'car rally' all day. If something goes wrong, they can only lie down at the roadside." The bourgeoisie, however, always say their democracy is a "universal democracy," a "democracy of the whole people," and a "general democracy," but these assertions fall short of reality.

Second, where the political foundations of democracy are concerned, socialist democracy and Western parliamentary democracy differ in their class structure and in the resultant political systems and leadership. As was pointed out earlier, the class structure of China's socialist democracy, namely, the state system, is the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants, and the system of government, which is determined by the state system, is the system of people's congresses, which is set up on the principle of democratic centralism. Western parliamentary democracy represents bourgeois dictatorship decorated with general elections, the two-party system, parliamentarism, and constitutional government in which there are three independent branches. Socialist democracy is under the leadership of the communist party, the vanguard of the working class, while Western parliamentary democracy is under the leadership of the bourgeois political parties. Comrade Deng Xiaoping pointed out: "Democracy devoid of the socialist legal system, party leadership, discipline, and order is in no way socialist democracy." Third, judged from the ideological basis for democracy, socialist democracy is based on collectivism, while Western parliamentary democracy is based on individualism. Comrade Deng Xiaoping said: "The Chinese people at present only need socialist democracy, which is also termed the people's democracy, rather than the individualist democracy of the capitalist class." In this remark, Comrade Deng Xiaoping profoundly pointed out an important difference between socialist democracy and bourgeois democracy: Collectivism is the core of the former, while individualism is the core of the latter. The collectivism of socialist democracy is put into effect through democratic centralism. In the United States, the people do not trust state power as a result of excessive emphasis on individualism, and they interpret individual freedom as "shaking off government interference." It is also "because of undue stress on individualism that the rudimentary components of society such as the social structure and family are disrupted." If China were based on such individualism it would certainly be plunged into confusion, and socialist modernization would go up in smoke.

What has been said above can be seen as explanatory notes on why socialist democracy has become a new type of democracy in history and why socialist democracy is essentially superior to Western parliamentary democracy. It also explains why we cannot indiscriminately copy the Western parliamentary system, the two-party or multi-party system, and the system of the separation of the three powers. The above also shows the particularity of socialist democracy.

Chinese views on democracy occupy an exceptionally important position in Asian views on democracy. Being a socialist country, China's democracy is a socialist democracy, and China has many things in common with other Asian countries in its views on democracy. Again, they take an identical stand in opposing U.S.-centered democracy.

First, they maintain that every country has the right to choose its own state system and system of government, and uphold self-determination on matters related to democracy.

Second, they oppose the practice of Western countries headed by the United States imposing their values on developing countries, and uphold the principle of opposing hegemonism in the matter of democracy.

Third, they stand against the use of democracy by Western countries headed by the United States as a means to interfere in the internal affairs of other countries and to wage ideological war against other countries. They oppose the abuse of democracy and insist on expanding democracy in a scientific manner.

Asian views on democracy represent an increasingly influential ideological trend. These views comply with the actual conditions of the large numbers of developing and socialist countries, therefore more and more people support these views. These people have developed into a force which is not to be ignored and which is powerful enough to counter Western countries headed by the United States.

PRC: Column Criticizes Helms-Burton Act

HK1907054896 Beijing CHINA DAILY in English
19 Jul 96 p 4

["It Seems to Me" column by Yan Xizao: "Domestic Law Cannot Apply To Foreign Nations"]

[PTS Transcribed Text for FBIS] US President Bill Clinton showed impressive political sophistication on Tuesday on the thorny issue of the Helms-Burton Act.

While approving a highly controversial provision of the anti-Cuba law—scheduled to go into effect August 1—he suspended its practical impact for six months.

Title III of the Helms-Burton Act, officially called the Cuban Liberty and Democratic Solitary Act, permits lawsuits to be filed in US courts against foreign firms doing business with Cuba.

The legislation ran up against a stone wall after it was signed into law in March.

The United States' key allies, including Canada, Mexico and the European Union, spoke out strongly against the law and threatened retaliation.

The Chinese Government condemned the high-handed US law on Tuesday and vowed to continue trade relations with Cuba.

Clinton found himself in an embarrassing dilemma.

If he refuses to compromise, he cannot placate his allies. Staring him in the face is an imminent standoff with the United States' major allies and trade partners.

Yet he will risk his political career if he demands the law be revoked. Cuban-American voters in Florida and New Jersey carry special weight for his chances of being re-elected.

Finding a middle ground between furious allies and the politically influential Cuban-American constituency, Clinton not only staved off an immediate trade row with allies, but also postponed the highly sensitive issue until after the November election.

He does have reasons to rejoice over his successful balancing manoeuvre.

But it seems too early for him to give a sigh of relief: The balance is not only fragile but also volatile.

All parties concerned seem to have recognized the limitations of Clinton's decision.

Cuba's foreign minister was right in saying that all that has happened is that the US administration has "conceded a pardon to the world and will not violate its sovereignty for a period of six months."

The European Commission pointed out that "the damaging extra-territorial reach of the Helms-Burton Act remains intact." And as the Canadian trade minister put it, the United States is still holding a gun to its allies' heads.

While expressing guarded optimism, both the European Union and Canada have confirmed they will continue with plans for retaliation. On the other hand, Republican lawmakers and some anti-Castro Cuban-Americans have blamed Clinton for caving in to foreign pressure.

It seems more precise to say Clinton has only managed to postpone an embarrassment.

While announcing his harm-none prescription, Clinton expressed the hope to take advantage of the six-month waiver of the provision to muster allied support for escalating the embargo on Cuba.

But as a career politician he should see that would only be wishful thinking unless his government shows proper respect for the sovereignty of other countries.

The root cause of the brawl is the extra-territorial nature of the Helms-Burton Act.

The fact that domestic US legislation aimed at developing countries is against the principle of state sovereignty. [sentence as published] Such legislation ignores the principles of equality and mutual benefits in international law. It also violates established international conventions on investment protection and trade liberalization.

Drafters of such laws confuse domestic and international law. It is impossible that United States' lawmakers do not have the common sense to see that no domestic law of any country is applicable to any other countries.

The attempt to extend the jurisdiction of a domestic law to alien territories is but another example of US imperialism. And the strong opposition it has encountered is an unequivocal sign that the present-day world brooks no tricks of power politics.

But the United States seems unwilling to abandon its hegemonistic behaviour. It has only tried to clothe the pranks of power politics in the deceptive garb of safeguarding human rights, freedom and democracy.

The notorious Helms-Burton Act was cooked up in the disguise of "promoting democracy."

By means of this domestic legislation, the Americans want to press for "democratic and economic reforms" in Cuba.

The core of sovereignty is freedom from external control. People of any sovereign state have the full right to choose their own social system as well as their own life style. Even should there be need of reform in Cuba, it is none of the United States' business.

By the promulgation of the Helms-Burton Act, the United States is lifting up a rock only to drop it on its own toe. US lawmakers should learn something from their allies' backlash and re-evaluate their country's image and position in the international community.

It would not be difficult for the United States to recapture its image as a welcome member of the international community, when it repents and mends its way.

Otherwise, it seems that Clinton has to prepare himself for more such embarrassments.

PRC: Beijing Buys Three Boeing 747s

*OW1807140596 Beijing XINHUA in English
1353 GMT 18 Jul 96*

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — A contract was signed recently by the China Aviation Supplies Corporation, Air China, and the US's Boeing to purchase three Boeing 747-400 passenger planes, it was learned here today.

This is the largest deal between China's civil airlines and Boeing in recent years, sources said.

The three planes were ordered by Air China and are expected to be delivered in May and August of next year and in July of 1998.

Southeast Asia & Pacific

PRC: Qian Qichen Meets With Fijian Prime Minister 19 Jul

*OW1907042296 Beijing XINHUA in English
0357 GMT 19 Jul 96*

[FBIS Transcribed Text] Suva, Fiji, July 19 (XINHUA) — Visiting Chinese Vice Premier and Foreign Minister Qian Qichen and Fijian Prime Minister Sitiveni Rabuka agreed today to further strengthen trade and economic cooperation between the two countries.

During a meeting here today, Rabuka said the exchange of personnel between the two countries is increasing and marked progress has been made in trade and economic cooperation since he visited China in 1994 with a group of leading Fijian businessmen.

Bilateral relations are being further strengthened, he said.

Cooperation projects, the Fijian prime minister said, are going on well, and he thanked the Chinese government for giving timely, disinterested assistance to Fiji in various areas, according to a Chinese Foreign Ministry spokesman.

Thanks to the one China policy Fiji has been following, Rabuka noted, Fiji can maintain such good bilateral relations with China.

Qian, who arrived here yesterday for the first official visit by a Chinese foreign minister to Fiji, expressed his appreciation for the Fijian government's one China policy. The two countries enjoy good cooperation on matters concerning the South Pacific Forum and on many other international issues, he said.

He said China pays much attention to the development of friendly and mutually beneficial ties with Fiji, which is among China's largest trading partners in the South Pacific.

There are good prospects for bilateral trade and economic cooperation and China is ready to join Fiji's efforts to bring their relations to a new level, Qian said.

Fiji is the second leg of Qian's three-nation South Pacific tour, which has already taken him to Papua New Guinea. He will also visit Western Samoa.

PRC: Agreement With Malaysia To Barter Wheat for Palm Oil

*OW1807135596 Beijing XINHUA in English
1231 GMT 18 Jul 96*

[FBIS Transcribed Text] Kuala Lumpur, July 18 (XINHUA) — China today agreed in principle to barter wheat for palm oil from Malaysia.

This agreement was signed at a meeting here by Malaysian Minister of Domestic Trade and Consumer Affairs Abu Hassan Omar and visiting Chinese Vice Minister of Internal Trade Luo Zhiling.

Speaking after their meeting, Luo Zhiling said China was prepared to export wheat to Malaysia because the good trade and diplomatic relations between the two countries.

He said China produced about 650,000 million tons of wheat a year but it still had to import from Australia, the United States, Canada and France.

But, he said, during a bumper crop like last year, China would have enough stock to sell to Malaysia.

Abu Hassan said that China's offer would help Malaysia tackle any future problem of wheat flour shortage, and urged Malaysia's private sector to take the initiative to implement the barter trade.

Malaysia is recently hit by flour shortage because millers cut down on production due to the high price of wheat on the world wheat markets.

PRC: CMC Vice-Chairman Meets Vietnamese Military Delegation

*OW1907074996 Beijing XINHUA in English
0659 GMT 19 Jul 96*

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — General Liu Huaqing, vice-chairman of the Central Military Commission (CMC) of China, said in Beijing today that China is willing to develop good-neighbor friendship with its neighbors, including Vietnam, on the basis of the Five Principles of Peaceful Co-Existence.

Liu, who is also a member of the Standing Committee of the Political Bureau of the Central Committee of the Chinese Communist Party, made the remark here this morning during a meeting with a Vietnamese senior military delegation headed by Lieutenant General Pham Van Tra, chief of the General Staff of the People's Army of Vietnam.

Extending a warm welcome to the Vietnamese visitors, Liu said that China and Vietnam are friendly neighbors, and the development of bilateral good-neighbor friendship is in the best interest of the two countries and their people.

Although some disputes exist between the two countries, leaders of the two sides are ready to handle these problems through consultations, dialogues and negotiations, Liu pointed out.

Liu said that China is pleased to see the development that has taken place in the Vietnamese economy during the past few years. He added that Pham's current visit to China will push forward the development of the friendship and cooperation between the two countries, their people and their armed forces.

During the meeting, Liu also briefed the visitors on China's economic development and military construction.

Agreeing with Liu on the handling of bilateral relations, Pham said that during the past few years, relations between the two countries and the two armed forces had been further developed.

He said he hoped that the two sides can increase contacts and visits, in order to promote mutual understanding and friendship, and consolidate bilateral good-neighbor ties.

Pham also briefed Liu on Vietnam's domestic situation and the development goal outlined during the eighth congress of the Vietnamese Communist Party, which concluded in late June.

Pham and his party are here as guests of General Fu Quanyou, chief of the General Staff of the Chinese People's Liberation Army (PLA).

Fu hosted a welcoming ceremony here this morning for Pham, and accompanied Pham in reviewing an honor guard made up of members of the PLA's three services.

After the welcoming ceremony, Fu and Pham held talks on issues of common concern and reached a comprehensive consensus.

West Europe

PRC: Dalai Lama Visits UK; Ready for Talks With Beijing

LD1607123096 London PRESS ASSOCIATION
in English 1036 GMT 16 Jul 96

[By Linda Jackson, social affairs correspondent, PRESS ASSOCIATION News]

[FBIS Transcribed Text] The Dalai Lama, the spiritual and political leader of the Tibetan people, today said he was willing to hold talks with China on the future of his country - without pre-conditions.

His comments at a London news conference came hours after China warned that the decision to allow the Tibetan leader to address MPs and peers at the Houses of Parliament later today would have an adverse affect on Sino-British relations.

"By inviting the Dalai Lama to visit Britain and offering him a forum, the Tibetan group of the British House of Commons ... abets the Dalai's action to split the mother land," said a Chinese foreign ministry spokesman.

However the Dalai Lama, who fled into exile after an abortive uprising against Chinese rule in 1959, said he wanted to "forget the past and look forward".

Calling on the Chinese to come to the negotiating table, he said: "My position does not change. As soon as there is a public indication from the Chinese government, I am ready to negotiate without any pre-condition."

A Chinese foreign ministry spokesman earlier expressed China's willingness to hold talks with the Dalai Lama.

The Tibetan leader dismissed allegations from British Buddhists that he is persecuting his own people.

The New Kadampa Tradition (NKT) claim the Dalai Lama, who won the Nobel Peace prize in 1989, sent security forces into Tibetan refugee settlements in India to root out worshippers of a certain deity.

Followers of NKT, who shave their heads and wear red and orange robes, plan to follow the Dalai Lama on his world tour with banners which proclaim: "Your smiles charm, your actions harm."

Asked about the claims at today's news conference, the Dalai Lama urged journalists to go to India and check the situation for themselves.

He went on to speak of his concern over the deity worshipped by the sect - and admitted he worshipped it too in his younger days.

But after some time he had concerns about the spirit which "degenerates an essential part of Buddhism".

He did not speak out for some time - and only after theologians had written on the subject.

It was his duty and his responsibility to make clear the consequences of worshipping the deity. "Whether people listen or not is up to them," he added.

The Dalai Lama stressed that he was not against any particular sect - and believed in the "promotion of world harmony on a non- sectarian basis".

He called on all people to end violence to settle their differences - and instead think of a greater common humanity.

Later today the Dalai Lama will meet Foreign Secretary Malcolm Rifkind and Labour's foreign affairs spokesman Robin Cook.

The week-long trip marks his eighth visit to the UK.

Tibet was invaded by China in 1949 and continued Chinese immigration to the Himalayan country has threatened to overwhelm the native culture of some six million Tibetans.

The Dalai Lama, who has campaigned for an independent Tibet, is barred from his native land where even images of him are proscribed by Chinese authorities.

He heads a government in exile based at the northern Indian town of Dharamsala, where more than 100,000 Tibetan refugees now live.

PRC: Joint Personnel Training Program Set With British Banks

OW1807153996 Beijing ZHONGGUO XINWEN SHE in English 1418 GMT 18 Jul 96

[FBIS Transcribed Text] Beijing, July 18 (CNS) — The Export & Import Bank of China (Eximbank), has signed a Memorandum of Understanding with National Westminster Bank PLC of England on the commencement of a new personnel training scheme.

The agreement, reached yesterday, is significant because it is both the first time Eximbank has entered into such an arrangement and also because NatWest has become an overseas agent of Eximbank.

Eximbank was founded two years ago and is a state policy bank that mainly supports export of China-made electrical and mechanical products. Its rapid expansion has meant that the bank is eager to recruit a large number of high-calibre financial personnel to assist with the bank's long term development.

As one of the three largest clearing banks in England, NatWest is one of world's oldest and most powerful

banking groups. Over the past year, both sides have been cooperating closely on information exchanges, the investigation of credit-worthiness and capital financing exercises.

The memorandum states that over the next three years NatWest will arrange training courses for Eximbank staff, and on-the-job training and job rotation schemes at NatWest branches in London, New York, Singapore and Hong Kong.

In addition, NatWest and Eximbank will, on a periodic basis, jointly organise seminars or lectures on export credit, capital financing techniques and risk management.

PRC: Li Peng Meets Swiss Insurance Company Chairman

OW1807120196 Beijing XINHUA in English 1147 GMT 18 Jul 96

[FBIS Transcribed Text] Beijing, July 18 (XINHUA)— Chinese Premier Li Peng said today that with the development of China's economy and the improvement of people's life, the country's insurance industry promises great development in the future, with a large market for insurance.

Li made the statement while meeting in Beijing with Rolf Huppi, chairman of Zurich Insurance of Switzerland.

Li said that with the economic development, and the rise in people's living standards, China's insurance industry will develop significantly, and the insurance market is remarkably large.

"China is willing to absorb and learn from the successful experience of large insurance companies in developed countries which have enjoyed good capital credibility and have a long history," he said, adding that China hopes to expand its cooperation with such companies.

During the meeting, Huppi briefed the Chinese leader on the operations of Zurich Insurance, saying that it's the largest insurance company in Switzerland, and ranked fifth among the world's biggest listed insurance companies.

According to Huppi, Zurich Insurance, which set up a representative office in China three years ago, wishes to expand its cooperation with China, helping the country in insurance personnel training, and introducing advance knowledge in the field of insurance to Chinese colleagues.

Political & Social

PRC: PRC 'Nuclear Reactor Pressure Vessel' for Pakistan

SK0607010896 Harbin Heilongjiang People's Radio Network in Mandarin 1000 GMT 2 Jul 96

[FBIS Translated Text] A nuclear reactor pressure vessel [jiali rongqi 0502 0500 1369 0892], the first of its kind manufactured in the PRC, successfully passed its operational test at the third heavy-duty machinery group company a few days ago, thus providing the PRC with experience in making home-made nuclear power equipment. This equipment is a key facility of nuclear power plants, and only a few countries in the world can produce it. The company manufactured this equipment for a project in Pakistan. Its total weight is 205 tonnes.

PRC: Jiang Zemin, Li Peng Meet Security Work Delegates

OW1907044196 Beijing XINHUA Domestic Service in Chinese 1050 GMT 17 Jul 96

[By RENMIN RIBAO reporter Wu Hengquan (0702 1854 2938) and XINHUA reporters Luo Yuwen (5012 3768 2429) and Tan Daobo (6223 6670 0590)]

[FBIS Translated Text] Beijing, 17 Jul (XINHUA) — Jiang Zemin, general secretary of the CPC Central Committee, state president, and chairman of the Central Military Commission, Li Peng, member of the Standing Committee of the Political Bureau of the CPC Central Committee and premier of the State Council, Liu Huaqing, member of the Standing Committee of the Political Bureau of the CPC Central Committee and vice chairman of the Central Military Commission, and Hu Jintao, member of the Standing Committee of the Political Bureau of the CPC Central Committee and secretary of the Secretariat of the CPC Central Committee, cordially met with representatives to the Ninth National Security Work Conference at the Great Hall of the People on 17 July.

Also present at the meeting was Ren Jianxin, secretary of the Secretariat of the CPC Central Committee and secretary of the Central Commission of Political Science and Law.

Ren Jianxin spoke at the Ninth National Security Work Conference, which ended on 17 July. On behalf of the party Central Committee and the State Council, he extended cordial greetings to the broad masses of public security policemen, armed policemen, and officers and men of the People's Liberation Army fighting on the first line of security work. He said that security work is arduous. Security departments at all levels must make clear their special mission, set high demands, exercise

strict management, and build a contingent of security workers who are loyal to the party, motherland, and the people. They should make well-planned security arrangements and implement various security measures and should not allow any mistakes. Party committees and governments at all levels must earnestly strengthen leadership over security work. All security personnel must rouse themselves to forge ahead and make new contributions to safeguarding long-term social stability and ensuring the smooth progress of reform, opening up, and economic construction.

Public Security Minister Tao Siju made a concluding speech at the closing session.

Comrades in charge of public security organs and departments in various localities seriously analyzed the situation of security work and discussed at the conference measures for further strengthening and improving security work.

The All-Army Security Work Conference was also held in Beijing at the same time.

Zeng Qinghong, director of the General Office of the CPC Central Committee, and Shu Huaide, secretary general of the Central Commission of Political Science and Law, were also present at the meeting.

PRC: Jiang Zemin, Li Peng Meet Armed Police Representatives

OW1907050996 Beijing XINHUA Domestic Service in Chinese 1033 GMT 17 Jul 96

[By RENMIN RIBAO reporter Wu Hengquan (0702 1854 2938), and XINHUA reporters Tan Daobo (6223 6670 0590) and Luo Yuwen (5012 3768 2429)]

[FBIS Translated Text] Beijing, 17 Jul (XINHUA) — Jiang Zemin, secretary of the CPC Central Committee, state president, and chairman of the Central Military Commission [CMC]; Li Peng, member of the CPC Central Committee Political Bureau Standing Committee and premier of the State Council; Liu Huaqing, member of the CPC Central Committee Political Bureau Standing Committee and CMC vice chairman; and Hu Jintao, member of the CPC Central Committee Political Bureau Standing Committee and member of the CPC Central Committee Secretariat, had a meeting in Beijing today [17 July] with representatives attending an enlarged plenary session of the Armed Police Force party committee.

Ren Jianxin, member of the CPC Central Committee Secretariat and secretary of the Central Commission of Political Affairs and Law, was present at the meeting.

Adhering to the guidance of the Deng Xiaoping theory of building socialism with Chinese characteristics and the thoughts on army- building during the new period, those attending the plenary session, which opened on 16 July, earnestly studied and implemented the guidelines laid down in Comrade Jiang Zemin's important instruction on paying attention to politics and also in his important "1 July" speech; and they also studied how to strengthen the education and management of high- and intermediate-ranking cadres of the Armed Police Force. In their speeches at the meeting, Xu Yongqing and Yang Guoping, respectively political commissar and commander of the Armed Police Force, expressed their views on building contingents of high- and intermediate-ranking armed police cadres. They said that party committees at all levels must truly implement CMC Chairman Jiang Zemin's instruction on paying attention to politics, and that they should focus their attention on implementing the instruction and ensuring actual results.

Also present at the meeting were Zeng Qinghong, director of the CPC Central Committee General Office; Su Huaide, secretary general of the Central Commission of Political Affairs and Law; and Tao Siju, minister of public security.

PRC: Beidaihe Meeting Reportedly To Open 20 Jul
HK1907033996 Hong Kong MING PAO in Chinese
19 Jul 96 p a10

[Report by special correspondent: "Beidaihe Meeting To Open Tomorrow"]

[PTS Translated Text for FBIS] Starting from tomorrow, Chinese leaders will successively arrive in Beidaihe, a seaside resort, to begin their annual recuperation and the Beidaihe meeting.

According to sources familiar with the Chinese political situation, for a whole one-month period, from tomorrow until the latter part of next month, CPC leaders' work schedule has been fully arranged. This year's Beidaihe meeting will focus its attention on discussing issues of economic and social development, mainly including overall assessment of the economic situation this year and exploration of problems related to state-owned enterprise reform, workers' unemployment in cities and towns, agricultural development, and so on.

CPC General Secretary Jiang Zemin has recently delivered speeches on state-owned enterprises and agriculture. These speeches will be treated as the keynote of the Beidaihe meeting this year.

Leaders of Important Ministries and Commissions Are Temporarily Not Allowed To Leave Beijing

To make preparation for attending the Beidaihe meeting, not long ago CPC leaders left Beijing one after another to conduct inspections and investigations in other places. They will present the problems they discovered during their inspections and investigations to the Beidaihe meeting for discussion.

It has been learned that the issue of the Sixth Plenary Session of the 14th CPC Central Committee, to be held at the end of September, has been put on the agenda of the Beidaihe meeting, but because the differences of CPC high-ranking leaders on the issue of spiritual civilization are not too serious, they will decide on the final wording of the documents of the Sixth Plenary Session at the Beidaihe meeting.

The Beijing side is not too anxious to seek a breakthrough in cross-strait relations. The Taiwan issue is not to be included on the agenda of the Beidaihe meeting, unless the Taiwan side makes an important announcement. However, well-informed sources point out that the CPC leaders will discuss Sino-U.S. relations.

It has been revealed that members of the Political Bureau and of the Secretariat of the CPC will attend the Beidaihe meeting. In addition, some state councillors and ministers of important ministries and commissions will attend the meeting on an irregular basis. Officials of important ministries and commissions — such as the State Planning Commission, the Ministry of Foreign Trade and Economic Cooperation, the People's Bank of China, the Ministry of Agriculture, the Ministry of Internal Trade, and others — have been told not to leave Beijing in the coming month. They should be ready at all times to report on their work to the Beidaihe meeting. In addition, officials from some provinces and cities also will be summoned to report to the meeting on their work.

Elders Such as Yang Shangkun and Others Will Attend the Meeting as Nonvoting Delegates

According to well-informed sources, CPC elders including Bo Yibo, Wan Li, Yang Shangkun, and others also will spend their holidays at Beidaihe and attend the Beidaihe meeting, with certain conditions. As for Deng Xiaoping, another CPC elder, he will not vacation at Beidaihe.

**PRC: CPC Congress Delegates Said Facing Jiang
'Loyalty Test'**

HK1907054296 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 96 p 10

[By Willy Wo-Lap Lam]

[PTS Transcribed Text for FBIS] Jiang Zemin has tried to ensure his dominance over the 15th Communist Party Congress next year by administering "loyalty tests" to potential delegates.

Party sources said yesterday central and regional authorities had begun the selection of representatives to the Congress, who are expected to endorse policy and personnel changes.

Units such as the ministries, provinces and cities are allowed to nominate a certain number of representatives to the Congress.

However, this year, would-be delegates must pass a political test to ensure they understand Mr Jiang's latest instructions on "paying more attention to politics".

The party's Organisation Department and the Leading Group on Personnel Matters for the 15th Congress must be satisfied that the representatives pledge allegiance to the "central authorities with comrade Zemin as their core".

All delegates are expected to be chosen by the end of the year.

Political analysts in Beijing said Mr Jiang did not want a repeat of the 13th and 14th congresses in 1987 and 1992, when a number of delegates, particularly those from the regions, did not vote as told.

They said the President had largely succeeded in preventing foes, such as National People's Congress chairman Qiao Shi and Liberal Party [as published] elders, from playing a big role in preparations for the Congress.

Meanwhile, Mr Jiang has boosted his influence in the People's Liberation Army by securing at least a theoretical promise from the two elderly generals, Zhang Zhen and Liu Huaqing, that they will retire from the Central Military Commission later this year.

General Liu, however, would keep his Politburo membership until the 15th Congress. Generals Zhang and Liu had created problems for Mr Jiang by refusing to step down. They have also criticised him for forming a Shanghai Faction.

Sources said a key Jiang aide, Zeng Qinghong, who is Director of the Central Committee General Office, has begun to play a substantial role in military policy.

Mr Zeng, who also heads the Jiang Zemin office, has recently recruited former army intelligence personnel to boost the security arm of the General Office, considered the nerve centre of the party.

**PRC: Zhu Rongji Inspects Gansu, Discusses Rural
Economy**

OW1907060696 Beijing XINHUA Domestic Service
in Chinese 1023 GMT 9 Jul 96

[FBIS Translated Text] Lanzhou, 9 July (XINHUA) — Zhu Rongji, member of the Standing Committee of the CPC Central Committee Political Bureau and vice premier of the State Council, and responsible comrades of the State Council departments concerned conducted an inspection tour in Gansu from 29 June to 5 July. Zhu Rongji stressed the need to intensify efforts in aid-the-poor work and promoting rural economy.

The focus of Zhu Rongji and his party's inspection tour was to visit drought-stricken poor areas in central Gansu, poor peasant homes, aid-the-poor projects, and medium-sized and large state-owned enterprises in urban Gansu. Zhu Rongji pointed out: It is the nation's important policy to achieve the goal of the National '87 Aid-the-Poor Plan and to provide enough food and clothing for poor people in rural areas. Aid-the-poor work involves rural economy, agricultural development, and the peasants' well-being and is a major measure to gradually narrow the gaps between urban and rural areas, between industrial and agricultural development, and between various regions. If the rural economy of the extensive central and western regions, two-thirds of China's territory, remained stagnant and peasants' income failed to increase, the state-owned industrial enterprises would be faced with the problems of lacking market basis for further development and poor overall efficiency. It would be impossible to develop a socialist market economy.

While visiting fields and the homes of poor peasants in Tianshui city and Dingxi county, Zhu Rongji and his party thoroughly inquired about peasants' burdens and their living and working conditions. Zhu Rongji said: The CPC Central Committee and the State Council care much about the masses of people of poor regions in central and western China and are trying every possible means to help the people in poor areas shake off poverty and become prosperous. People in these areas must take actions to develop production to help themselves and to change the outlook of their poor and backward hometowns as soon as possible. While inspecting Gansu's project for diverting water from the Datong River to the Qin Basin and the water-control project along small river basins in Dingxi and Gongxing, Zhu Rongji pointed out: In western and northern drought

areas, it is absolutely correct to combine major diversion projects with water control projects in small river basins. Summarizing the practical experiences of local people in transforming ecological environment and improving agricultural production in western and northern drought areas, Zhu Rongji said: We need to develop terraced fields, dig pits to obtain water, better drip irrigation system to preserve water, plant trees to conserve soil, use agricultural film to preserve moisture in the soil, grow selected seeds to increase production, and develop agriculture by promoting agrotechnology. Zhu Rongji highly praised the achievements of Gansu leaders in making continuous efforts to promote agriculture and aid-the poor work. He said: Gansu did a good job in aid-the-poor work. Cadres here set up a solid foundation for the work and people here are highly motivated to improve their own living conditions. Although people here are poor, they are very enthusiastic and will become prosperous in the near future. Zhu Rongji and his party also inspected some state-owned enterprises including Liujiaxia hydropower station and held discussions with responsible persons from nine state-owned enterprises such as Lanlian, Lanhua, and Lanshi. Zhu Rongji said: Most large state-owned enterprises in central and western areas were key enterprises built in the period of China's First Five-Year Plan. They made outstanding contributions to the country in the past several decades and are pillars of the national economy. At present, the medium and large sized state-owned enterprises are encountering some difficulties due to problems accumulated in the past few decades. We cannot expect ourselves to come up with a wonderful answer to solve all the problems at once. We must make solid efforts in carrying out the spirit of Comrade Jiang Zemin's important speeches and earnestly straighten up the ranks of leading cadres. We must "change three concepts and improve one," work hard to develop markets, change old ideas, and transform operating structure to truly realize the two fundamental transformations. The state has already taken and will continue a series of reform policies and overall strategies to help state-owned enterprises overcome difficulties. Accompanying Zhu Rongji on his inspection tour were responsible cadres from some State Council departments; Yan Haiwang, secretary of the Gansu provincial party committee; and Sun Ying, deputy secretary of the Gansu provincial party committee.

PRC: Jiang Zemin on Environmental Protection

OW1807023696 Beijing XINHUA Domestic Service
in Chinese 1306 GMT 16 Jul 96

[By RENMIN RIBAO reporter Yang Zhenwu (2799 2182 2976) and XINHUA reporter Zhu Youdi (2612 1635 2769): "At a Forum of the Fourth National Meet-

ing on Environmental Protection, Jiang Zemin Stresses That Implementation of the Strategy of Sustainable Development Must Always Be Regarded as an Important Task"]

[FBIS Translated Text] Beijing, 16 Jul (XINHUA) — This afternoon, the Fourth National Meeting on Environmental Protection held a forum at Huairan Hall in Zhongnanhai. Jiang Zemin, general secretary of the CPC Central Committee and president of China, said at the forum: In the course of our modernization drive, we must always regard implementation of the strategy of achieving sustainable development as an important task. Economic development must be considered in conjunction with population, environment, and resources. We not only should properly plan the current development, we also should think of the future generations of ours and create better conditions for future development.

The forum was presided over by Li Peng, member of the CPC Central Committee Political Bureau Standing Committee and premier of the State Council.

Those attending the forum included Zhu Rongji, member of the CPC Central Committee Political Bureau Standing Committee and vice premier of the State Council; Ding Guangen, Zou Jiahua, Wang Bingqian, Song Jian, Qian Zhengying, and other leading comrades.

Jiang Zemin said: Environmental protection is very important — it is a strategic issue that affects the country's long-term development and overall situation. China has a large population; our per capita resources are relatively little; our scientific and technological level is comparatively low; and our economic and technological foundations are comparatively weak. Therefore, our task of protecting the ecological environment is very arduous. For this reason, in economic and social development, we must strive not to invest too much, not to consume too much resources, to achieve high economic and social results, and to properly protect the environment. If we do not pay attention to protecting the environment while carrying out development, and try to manage and recover the ecological environment after it is damaged, we would have to pay more heavily, or even unrecoverable losses might be caused.

Jiang Zemin said: Taking China's reality into consideration, in implementing the strategy of achieving sustainable development, we should endeavor to properly carry out work in the following areas: First, we should economize in the use of water, land, energy, materials, grain, and other resources. Agriculture should be of a high-yield, good-quality, highly efficient, and low-energy-consumption form; the manufacturing industry should pay attention to improving quality, reducing

consumption, and improving efficiency; the tertiary industry should develop in coordination with the primary and secondary industries. Second, we should continue to control our population growth and improve our population's overall quality. Third, the consumption pattern should be rational and conducive to environmental and resource protection. We must not practice high consumption, which is not in line with the level of our productive forces development and which wastes resources. Fourth, we should strengthen propaganda and education in environmental protection and enhance cadres and the masses' self-consciousness of protecting the ecological environment. Fifth, we should resolutely check and reverse the trend in some localities in which resources are being abused and the ecological environments are deteriorating.

Jiang Zemin pointed out: Some comrades have ignored environmental protection work, arguing that we should first develop the economy and that environmental protection can be put aside for the time being. This mentality is incorrect and harmful. One of the serious lessons we have learned from world development is that many economically developed countries took the path of seriously wasting resources and "taking remedial measures after causing pollution," causing serious damage to the world's resources and ecological environment. We must never take this path. Our economic and social development should be one that is built on a foundation of a rational industrial structure and coordination between economic and social development and the environment. Objective facts show that the higher economic growth rises based on blindly increasing investment scale and arbitrarily launching new projects, the more resources will be wasted, the more serious the environmental pollution and ecological damage, and the lower the sustaining ability of development will be. This is not desirable. I have stressed on many occasions that localities with appropriate conditions may develop faster. However, we must ensure that we do not waste resources and sacrifice the environment for accelerated development. In developing their economies, all localities should pay attention to improving economic quality and efficiency and to improving their economic structures and should base economic development on a benign cycle of ecological environment. Only such development is healthy and sustainable.

Jiang Zemin said: Controlling population growth and protecting the ecological environment are the basic national policy that the whole party and people across the country must uphold for a long time. The Fifth Plenary Session of the 14th CPC Central Committee expressly called for effecting a fundamental shift in the economic structure and the mode of economic growth,

and for implementing the strategy of vitalizing the country through promoting science and education and the strategy of achieving sustainable development. This has provided a reliable assurance for us to protect the ecological environment in the course of development. Historical experience tells us that, to ensure environmental safety, we must control the total amount of discharged pollutants. Our average annual economic growth for the Ninth Five-Year Plan period is set at about 8 percent. The environmental protection target we have set is to strive to basically control by the year 2000 the trend in which environmental pollution and ecological damage are deteriorating, and to improve to some extent the environmental quality of some cities and localities. This is an arduous task, but we must endeavor to accomplish it. Currently, we must first improve environmental management in urban and rural areas. But the most fundamental factor is to rely on shifting the economic structure and the mode of economic growth. By organically integrating development speed with efficiency, we should reduce the amount of pollution discharged per unit GNP and resource and ecological consumption. Economic decisions have tremendous effects on the environment. Starting from macro-management, we should develop a mechanism for making decisions taking both the environment and development into consideration. In formulating major economic and social development policies, in drawing up plans for exploiting important resources, and in deciding important projects, we must consider the pros and cons from the perspective of unifying development with environmental protection and propose applicable measures. Only by so doing can we fundamentally prevent environmental pollution and ecological damage. At the same time, all industries and trades and all social sectors should do more in environmental protection and management. We should work with one heart and one mind and in a down-to-earth manner to ensure that the target of controlling the total amount of discharged pollutants is achieved.

Jiang Zemin stressed: China has made relatively good progress in protecting the environment. We should affirm the results we have achieved and, at the same time, should soberly see that currently the country's environmental situation is still quite grim. Urban environmental pollution continue to deteriorate and are spreading toward rural areas; the scope of ecological damage is expanding. We must realize that the essence of environmental protection is to protect productive forces. Work in this area should be further strengthened. Environmental awareness and quality is an important indicator for measuring the civilization level of a country and its people. Currently, the environmental issue has implications for international politics, economy, trade, culture, and other fields. We are willing to make positive contribu-

tions to protecting the global environment; however, we cannot accept obligations that do not match China's development level. As a matter of course, developed countries should assume greater responsibility in this regard. We are resolutely against some developed countries' so-called "environmental protection diplomacy," which is aimed at interfering in other countries' internal affairs under the pretext of environmental protection. Environmental problems directly affect the masses' normal life and physical and mental health. During the Ninth Five-Year Plan period we should selectively arrange some environmental control projects to solve outstanding environmental problems in key areas and river valleys and other localities, in order to ensure that the environmental quality of some cities and localities will improve to some extent.

Jiang Zemin pointed out: Party committees and governments at all levels should regard environmental protection as an important part of their agendas. Every year they should hear reports on environmental protection and study and solve problems in a timely manner. This should become an established system. With the view to safeguard the Chinese nation's overall and long-term interests, we should ensure that environmental protection work is properly done. We should closely integrate the implementation of the strategy of vitalizing the country through promoting science and education and the strategy of achieving sustainable development. Solutions to many environmental protection problems relies on scientific and technological progress and on raising people's educational levels. In evaluating the administrative achievements of leading cadres at all levels, we should consider their performance in environmental protection. We believe that, as long as the whole party and society show concern for and support environmental protection, our environmental protection work will have a bright future. Environmental protection is a lofty undertaking — it benefits both the contemporary and future generations. It is honorable to commit oneself to environmental protection. I hope that comrades of the environmental protection front will continue to work hard, do their work even better, and strive to gain greater achievements.

Jiangsu Governor Zheng Silin, Anhui Governor Hui Liangyu, Tianjin Mayor Zhang Lichang, Gansu Vice Governor Han Guoxiu, and Fujian Provincial CPC Committee Secretary Jia Qinglin, spoke at the forum. They briefed the forum on the policies and measures they took in the light of local reality of environmental protection to implement the strategy of achieving sustainable development and the basic national policy of environmental protection. Some of them also briefed the forum on the progress in controlling pollutions in Huai He, Taihu Lake, and Caohu Lake; and suggested that, starting from

these key pollutions controlling projects, we seize the opportunity to raise local environmental protection work to a new level and to bring green mountains and waters and the blue sky into the 21st century.

Also attending the forum were leading comrades of various provinces, autonomous regions, and municipalities, who attended the Fourth National Meeting on Environmental Protection; and persons in charge of concerned departments of the CPC Central Committee, State Council, and the People's Liberation Army.

Before the forum began, Jiang Zemin, Li Peng, Zhu Rongji, and other central leading comrades met with all delegates attending the Fourth National Meeting on Environmental Protection, and had a photo taken with them.

PRC: Commentary on National Environmental Protection Conference

*HK1807085196 Beijing CHINA DAILY in English
18 Jul 96 p 4*

[CHINA DAILY Commentary: "Green the World"]

[PTS Transcribed Text for FBIS] The curtain of the Fourth National Conference on Environmental Protection fell yesterday in Beijing.

The conference is of great significance. It seeks ways to accomplish the environmental protection goals set in the Ninth Five-Year Plan (1996-2000) and to create a blueprint for socioeconomic development up to 2010.

China has set a target of keeping pollution in 2000 at the same level as in 1995 to check the worsening worldwide environmental situation.

It is a tough but necessary task. The conference provides guiding principles to help China achieve the goal successfully.

China, with its vast territory and large population, has a duty to keep this part of the world environment friendly.

President Jiang Zemin stressed that arrangements for environmental protection should be made not only for the present but also for the coming generations.

The approaches recommended at the conference include developing high-yielding agriculture, continuing population control, regulating consumption, strengthening public education in environmental defence and stopping further damage to natural resources.

The country has been dealing sensibly with the grim environmental situation and implementing sustainable development strategies, which, we believe, will satisfy

the needs of this generation as well as prevent potential environmental hazards.

Since 1973 when China convened its first national conference on environmental defence, the country has achieved much to protect the environment, and ensure continuous social and economic development.

In the early 1980s, China made environmental protection one of the guiding elements of its State policies and included it into its overall sustainable development planning.

One of the consequences is that the quality of China's environment has not deteriorated during the past 18 years, even though its gross national product (GNP) has increased 10 per cent annually.

China's success so far illustrates to the world that environmental degradation and depletion of resources do not have to accompany rapid economic growth.

With a highly responsible attitude toward the people of China and world, China regards environmental protection as an important factor in improving the people's living standards and the quality of life.

Despite such solid progress, clearly many environmental problems remain. Issues as diverse as water and air pollution, acid rain and land degradation require that environmental strategies be co-ordinated.

According to the National Environmental Protection Agency, the death rate from lung cancer in 1995 in China increased from the previous year and in rural areas, where 80 per cent of China's 1.2 billion people live, respiratory diseases became the main cause of death.

Recognizing the gravity of environmental problems, the Chinese Government last month published a white paper on environmental protection in the country. It clearly underlines the need for further action.

We believe that the implementation of these strategies will ensure the creation of favourable ecosystems suitable to sustainable socioeconomic development.

Realizing the importance of a concerted effort in the battle to protect the environment, the Chinese Government has forged close relations with relevant world bodies. The environment transcends national boundaries and international efforts should be co-ordinated. In this regard we believe that developed countries should shoulder their heavy responsibility to solve the world environmental problem. China has played an active part in global environmental defence and has promoted international cooperation in the endeavors.

The Chinese Government has vowed to spare no effort to protect the environment until it has succeeded in its task.

The just-concluded conference sounded the clarion call for action.

***PKC: Unfavorable Environment for Youngsters Reviewed**

96CM0315A Beijing ZHONGGUO QINGONG BAO
in Chinese 30 Mar 96 p 3

[Article by Ling Chi (0407 7459): "Worries About Environment for Bringing up Children"]

[FBIS Translated Text] "All parents' concern for their children deserves sympathy," this old saying gives a true description of all parents' feeling. In our cities today, children, as lovely as buds, are controlling their parents' financial outlay. As parents are placing high hopes on their offspring, they are very much concerned about the social environment in which their children are to be brought up.

The findings released by the Zero Point [ling dian 7190 7820] Company on 14 February 1996 of a survey conducted among 1,500 households in six cities in East and Central China show that nearly half of the urban residents responding to the survey are very much worried about the environment for the growth of youngsters. Their worries are based on varied reasons, representing a sense of loss on values and a feeling of helplessness in the face of conflicts between generations on the part of the public.

Replying to a question set by the researchers: "What is your appraisal of the present social environment for the growth of youngsters?" The answers were that 1.6 percent of the respondents said they were "very satisfied" with it, and 14.8 percent said they were "pretty satisfied" with it. So these two groups of respondents together account for 16.4 percent. Those who said they were "relatively worried" about the environment account for 47 percent of all the respondents, while those who said they were "very worried" about it account for 8.7 percent. So these two groups together make up 55.7 percent. The remaining 27.8 percent of the respondents said the present environment for the growth of youngsters is "so-so." If the degree of worry among the respondents is expressed in a five-step scale, with level one representing "very satisfied" and level six representing "very worried," then the average value of the readings is 3.461, a little higher than the median, that is, three. Thus it can be seen that the respondents on the whole tend to be "relatively worried" about the environment.

The relevant analysis indicates that the respondents who are married and have children in their teens are obviously more worried than other respondents. The better educated, the more worried they are about the present environment for the growth of youngsters.

The current survey has revealed the variance between the six cities in terms of the degree of worry among the public about the environment for the growth of youngsters. Shanghai residents have remarkably higher appraisal of the social environment than people in the other cities, Wuhan residents are the most worried about the environment as compared with people of the other cities, while respondents in Guangzhou have given a moderate answer to this question, with pretty few people saying that they are "very satisfied" with or "very worried" about the environment. But an overall assessment with other data taken into account indicates that Guangzhou's social and public environment is not really quite satisfactory. Thus the participating researchers have drawn a conclusion that the Guangzhou public are obviously more indifferent to social affairs than people in the five other cities.

Many people have noted that some recreational facilities have now become places tempting youngsters to degeneration. Despite the sign "Not Suitable for Children" put up at some video viewing rooms and the sign "Primary and Secondary School Students Not Allowed" at TV games rooms, youngsters are the main customers of these places of entertainment. With a strong consumption capacity, youngsters are following their intuition in "purchasing sensual stimulation." The survey has revealed that the public's choices of appropriate expression of their worries about the social environment for the growth of youngsters are as follows, in the order of preference: the prevalence of the general social moods of money worship as a result of the business craze (21.4 percent); conniving children, which is common to families with an only child (21.0 percent); the spreading of pornographic publications (20.0 percent); diminishing positive guidance for children as provided by school education and social propaganda (17.0 percent); and the increase in such social evils as gambling and drug addiction (14.0 percent). As compared with a similar survey conducted in 1995, the public's misgivings about general social moods and the form of family education have now overtaken their fear of specific social evils, such as the spreading of pornographic publications, for instance. This implies that the public now has a deeper worry about the social environment for the growth of their children, as their focus has shifted from the concern about some specific problems to misgivings about both the macroscopic and microscopic environments for the growth of youngsters.

A study of the survey shows that respondents with a lower education standard have mostly focused their attention on certain specific social problems, for example, the spreading of pornographic publications and the popularity of gambling; while respondents with a better educational background have attributed their misgivings about the environment for the growth of youngsters more to general social moods and other abstract factors. The Zero Point Survey Company's researchers have also found that even those adults who are tolerant of unhealthy social culture (pornographic publications, for instance) quite highly endorse strong social rectification operations with the aim of purifying the social environment for the growth of youngsters.

PRC: Enforcement of Environmental Protection Laws Strengthened

*OW1807020496 Beijing ZHONGGUO XINWEN SHE
in English 1440 GMT 17 Jul 96*

[FBIS Transcribed Text] Beijing, July 17 (CNS) — Laws on environmental protection have to be effectively and fully enforced to realise the environmental protection targets set for the current Five-Year Plan, said Wang Bingqian, vice-chairman of the Standing Committee of the National People's Congress (NPC).

Mr Wang made the remarks at the fourth national meeting on environmental protection which ended today.

He noted that the NPC had publicised a number of environmental protection laws while the State Council had issued some 20 administrative regulations and local legislative bodies also enacted their own regulations, thereby constituting a framework for the environmental protection.

The vice-chairman however noted that the enforcement of environmental protection laws and regulation was weak and he called for a thorough execution of the laws.

Speaking at the session, State Councillor Song Jian said that for a long time economic growth mainly depended on expansion of the scale of production.

Mr Song however noted that such economic growth was at the expense of so many resources and caused serious pollution and damage to the environment.

According to him, seventy-eight percent of fresh water was found to have unacceptably high levels of pollutants. Approximately 50 of underground water reserves are polluted while 40 percent of water sources are no longer drinkable.

The Chinese government is determined to control new sources of pollution while at the same time effectively dealing with existing pollution.

Projects going against environmental protection laws have to be banned, Mr Song continued. They are not offered land by the land departments, not allowed registration with the industrial and commercial administration and not given loan by banks.

Business entities causing pollution have to get the source of pollution eliminated, the State Councillor warned. "If they fail to do so during a given period, they will be closed or have their business halted."

Mr Song announced that from this year all medium and large size cities across the country had to build their sewage disposal systems and that industrial and domestic waste was prohibited from being discharged into an water source without proper treatment.

PRC: Jan-Jun Nuclear Power Output Rises 50 Percent

OW1807021196 Beijing ZHONGGUO XINWEN SHE in English 1438 GMT 17 Jul 96

[FBIS Transcribed Text] Beijing, July 17 (CNS) — According to statistics from the China Nuclear Industry Corporation, the country's two nuclear power stations generated 5.585 billion kilowatt hours (kwh) of electricity in the first six months of this year, an increase of 47 per cent over the same period last year.

Daya Nuclear Power Station, which is located in Guangdong, maintained its rapid output growth. From January to June the station generated 4.676 billion kwh of electricity, up 64 per cent compared with last year. The station uses 59 per cent (2.76 billion kwh) of its output to service the energy needs of Hong Kong.

Taishan Nuclear Power Station in Zhejiang Province was overhauled for a short period of time in the first half of this year, so the power generated dropped by 4 per cent to 909 million kwh. However, in June, it generated 220 million kwh, a figure well above average.

At present China's nuclear power industry stills accounts for under 1 per cent of the country's installed generating capacity, but this is likely to change soon. During the Ninth Five-Year Plan (1996-2000), China will build four more nuclear power stations with eight generating sets, bringing the installed capacity up from its current 2.1 million kwh to 6.7 million kwh.

PRC: Yang Shangkun Urges Officials to "Dash Boldly"

OW1807142196 Beijing XINHUA in English 1403 GMT 18 Jul 96

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — China's former president, Yang Shangkun, urged

officials to "dash boldly", during a visit to north China's Heilongjiang Province from July 6 to 17.

He said that officials should fit the central government's policies to specific local conditions under the guidance of Deng Xiaoping's theory of building socialism with Chinese characteristics, and that they should dash, experiment, and reform in a bold manner.

"In doing a job, creativity and the spirit of dashing forward are needed," he said.

"You should combine the central government's policies with specific local conditions, and just as Chairman Mao Zedong said, both central and local initiative should be brought into play," he said.

Heilongjiang has a population of 37 million and is home to China's major oil fields, coal mines, and grain fields.

PRC: Editorial on Need To Uphold 'One China' Principle

HK1807081996 Hong Kong WEN WEI PO in Chinese 18 Jul 96 p A2

[Editorial: "The Principle of 'One China' Must Be Upheld"]

[PTS Translated Text for FBIS] The 1996 Academic Symposium on Relations Between the Two Sides of the Strait is being held in Beijing. Experts and scholars from home and abroad gather together and air their views on developing cross-strait relations in the run-up to the 21st century and promoting the peaceful reunification of the motherland. The participants had an extensive, in-depth discussion on various issues, such as specific ways to eliminate cross-strait hostility and increase mutual confidence; cross-strait cultural exchanges and how to carry forward the Chinese culture; and cross-strait "three exchanges" and economic exchanges. This is an eye-catching meeting in the current cross-strait relations, providing people who are concerned about China's reunification with food for thought.

Cross-strait relations have been strained since May last year. Even now the sky has not cleared up after the rain. Cross-strait relations are currently at a crucial point. The "ball" is on the court of the Taiwan authorities. People hope that the Taiwan authorities will have a clear understanding of the situation, return to the basis of the "one China" principle, and seek the path to peaceful reunification.

Upholding the principle of "one China" is the most important condition for breaking the deadlock. There is only one China and China's sovereignty and territorial

integrity are inseparable—this is the basis and precondition for cross-strait talks. If this principle is not upheld, cross-strait political talks are out of the question.

However, on such a crucial issue, the leaders of the Taiwan authorities have so far refused to officially indicate their acceptance of the "one China" principle. This is the biggest obstacle to the elimination of cross-strait hostility. It is also why nobody believes Li Teng-hui's protestations although he has claimed on many occasions that he is opposed to the independence of Taiwan.

The Taiwan authorities have often cited their opposition to holding "talks on an unequal basis" as an ostensible reason for its unwillingness to hold talks with the mainland side on the basis of the "one China" principle, but this is untenable. In the past the mainland side proposed holding "Kuomintang-CPC talks on a reciprocal basis." Later, in the wake of changes in the Taiwan situation, in his eight-point proposal on cross-strait relations early last year, Jiang Zemin proposed that both parties hold "consultations on an equal basis." This shows that the mainland side has taken into full account the mentality and plight of the Taiwan authorities and fully cares for the Taiwan side's practical difficulties.

So long as the Taiwan side indicates its recognition of the "one China" stand, it will not be difficult to start political talks between the two shores. Given its urgent nature at the moment, such a negotiation is not a unilateral desire on the part of the mainland. As is known to all, the increasingly frequent cross-strait nongovernmental exchanges, especially economic and trade exchanges, have become an indispensable factor in cross-strait, especially Taiwan's, economic development. Although they still remain at a nongovernmental level, however, following closer exchanges, many problems arising from such exchanges can no longer be resolved at the nongovernmental level. The Association for Relations Across the Taiwan Strait and the Straits Exchange Foundation have failed to make a breakthrough at their discussions [xie shang 0588 0794] precisely because they have come across some issues which are not nongovernmental in nature.

In 1997 and 1999 the Chinese Government will resume the exercise of sovereignty over Hong Kong and Macao one after another. As there are very close relations between Taiwan and Hong Kong and between Taiwan and Macao in various aspects, Hong Kong's importance to Taiwan's economy, trade, shipping, tourism, and banking is self-evident. Viewed from this point alone, the Taiwan side has no reason to refuse talks on ending the state of hostility between the two sides of the Taiwan Strait.

At present, Taiwan's investments in the mainland have moved from small and medium-sized enterprises and labor-intensive type to large enterprises and capital-intensive type, which makes it even more necessary to have the coordination and support of the relevant authorities in terms of financing. In recent years, the Taiwan economy has been in the doldrums, with its economy expected to grow at less than 6 percent. As far as its own conditions are concerned, Taiwan has very limited room for development. The mainland is the hinterland [fu di 5215 0966] for Taiwan's economic growth and it is also a positive factor which Taiwan must take into full account when designing its economic development. The Taiwan industrial and business circles are calling on the authorities to improve the investment and development environments and take active and voluntary actions for cross-strait economic exchanges in order to create conditions for Taiwan's future prosperity and stability. This is also something the Taiwan authorities have to deal with seriously.

PRC: 'Internal Study' Reportedly Links Many Crimes to 'Survival'

HK1807054896 Hong Kong SOUTH CHINA
MORNING POST in English 18 Jul 96 p 10

[By Willy Wo-Lap Lam]

[PTS Transcribed Text for FBIS] Liberal cadres and regional officials have expressed reservations about the "strike hard" campaign against violent crime, saying it could cause socio-political problems.

Chinese sources quoted an internal study by security authorities which said that in the poorer provinces, about 60 per cent of crimes were linked to "survival".

This meant that crimes such as robberies were perpetrated by people below the poverty line who had no other way to survive.

The study cited residents in a rural town in a north-eastern province who periodically stole from a railway station or robbed passengers.

The townsfolk, all unemployed, told police they had no other means of making a living.

Officials from the poorer provinces have told party authorities that if the campaign goes on it could exacerbate "anti-Communist Party" feelings among the bottom strata of society.

While China has implemented a strike hard movement against hard-core crimes every year since 1983, this year's campaign, which began in April, is the longest.

Members of the party's liberal wing have claimed that the campaign, which allows the police and courts to

speed up investigations and trials, will retard the Jiang Zemin leadership's much-publicised judicial reforms.

They say it is partially linked to Mr Jiang's desire to snuff out challenges to the administration in the run-up to the post-Deng Xiaoping era.

At the same time, the six-month campaign to force establishments such as restaurants and theatres to change "colonial" and feudalistic names has intensified.

The official Guangming Daily reported yesterday that in Beijing alone, authorities had cleared 1,993 "problem names" from 263 streets, 34 commercial centres, 27 tourist attractions and from 23,872 companies.

Officials in Hunan province have banned "colonial", feudal or offensive names used by 749 firms, such as "emperor" and "rich wife".

Moreover, the heat has been turned on advertisements on TV, radio and in pamphlets and fliers. Beijing officials have removed 1,116 "improper" billboards, and Changsha authorities have asked 10 entertainment places to change their names.

Liberal intellectuals have compared the rectification campaign to the movement at the start of the Cultural Revolution to "get rid of feudalistic practices".

***PRC: Measures Taken To Curb Arbitrary Fee Collection**

*96CM0315B Beijing ZHONGGUO JIAOYU BAO
in Chinese 21 Mar 96 p 1*

[Report by reporters Zhang Yuwen (1728 3768 2429) of Beijing, Li Lune (2621 0243 1230) of Hunan, Chang Zheng (1603 1767) of Jilin, and Zhang Baomin (1728 1405 2404) of Tianjin: "Local Authorities Take Measures To Curb Arbitrary Fee Collection"]

[FBIS Translated Text] Beijing (by reporter Zhang Yuwen)—This reporter has learned from the Beijing Municipality Meeting of Leading Cadres in Charge of Universal Education, which opened days ago, that in 1996 Beijing municipality will further regulate tuition and service fee collection by primary and secondary schools, mainly to deal with the case of high rates of tuition fees and other service charges imposed on students who choose schools outside their school districts.

At the municipality and district/county levels, leading groups in charge of consolidation of the fee collection system for primary and secondary schools will be set up and a responsibility system will be introduced, with local government leading officials playing the leading role and the departments concerned participating in the operation. The municipality education administration is

to sign contracts for management of the fee collection system with all district and county education administrative organs, while district and county education administrative organs will in turn sign similar contracts with all primary and secondary school principals. A supervisory and inspection system will be introduced, a list of telephone numbers will be announced by advertisement in newspapers to accept complaints against municipality and district/county primary and secondary schools regarding fee collection; at the municipality and district/county levels, fee collection monitors will be hired to promptly solicit opinions among the public on fee collection by primary and secondary schools; the operation to curb arbitrary fee collection by primary and secondary schools will be a factor to be considered in the integrated assessment of the district/county-level education work and primary and secondary school management, and the evaluation of performance of cadres as well. Those who ignore orders and bans and keep on violating the regulations on fee collection will be reprimanded and punished according to their specific cases.

The "four prohibitions" will be steadfastly enforced in the operation to curb arbitrary fee collection by primary and secondary schools. The "four prohibitions" are: students receiving compulsory education must enroll at a school in his vicinity, and no school must accept any students from other school districts; all schools must collect fees strictly according to the regulations and rates as prescribed by the Beijing Primary and Secondary School Fee Collection Card, and are not allowed to arbitrarily set any extra service charge items and raise the charge rates on their own; all schools must strictly abide by the regulations concerned set forth by the State Education Commission and the Beijing municipality government, and are not allowed to run any classes to collect extra fees; all schools must straighten out text book management, and are not allowed to force students to buy books, materials, and stationery that are not listed as necessary items by the municipality and district/county authorities.

Schools that are running higher classes beyond the compulsory education scheme can take students on a tuition payment basis. But these schools must follow the student enrollment criteria as set by the municipality authorities and collect tuition fees strictly according to the standard rate. Ordinary senior secondary schools, after fulfilling their student enrollment plan, may make the best of their resources to run extra classes on a fee collection basis, with the approval of the municipality student enrollment administration. The tuition fees for such extra classes will be collected at a standard rate set by the municipality department concerned. A tentative plan is now under consideration, by which students

receiving noncompulsory education will be required to pay tuition fees at a rate commensurate to education costs, and the plan may be introduced in a progressive manner as from 1997, with the payment increasing annually by several stages up to the full rate.

District/county governments must continue to increase investment in education, make sure that the per-student education fund will increase year after year, try their best to ease the shortage of school operational funds, and prepare necessary conditions for efficient management of the tuition fee collection system for students choosing schools outside their school districts.

Hunan (by reporter Li Lune)—Soon after school opened, more than 4,000 education administrators at and above the county level in Hunan province were called to a meeting to assign tasks for the new term. One of the key tasks is to curb arbitrary fee collection by schools.

Arbitrary fee collection has always been one of the most difficult problems that must be dealt with in the beginning of every new school term. Although a survey shows that only 4.2 percent of the irregular charges collected at schools in Hunan province involved school administration, the Hunan authorities have still made the curbing of arbitrary fee collection the most important task for the new school term. During the meeting, Comrade Zheng Peimin, deputy secretary of the provincial party committee, stressed that all local financial authorities when working out their budget must set aside an amount of funds for the remuneration of the school staff. In case a school collects fees arbitrarily, both the person in charge of the school and the official in charge of the superior organization of the school will be held responsible, administrative and economic sanctions, such as downgrading of the school's status and reduction in financial appropriations, will be imposed on the school. The provincial education commission has decided to send cadres to carry out inspections across the province soon after the new school term opens. The provincial education commission has also announced through advertisement in newspapers the telephone number for complaints against arbitrary fee collection.

Jilin (by reporter Chang Zheng)—This reporter has learned from the working conference of provincial and city education commission chairmen for the first quarter held days ago that local authorities in Jilin province are to continue to fight the practice of arbitrary fee collection as the current new school term begins.

It is said that Jilin province achieved a great success last year in curbing arbitrary fee collection by primary and secondary schools. A total payment of 27.68 million yuan was found to be unreasonable charges. There were

originally 71 items of fees and charges, 58 of them were identified as unreasonable fees or charges and were rescinded; 536 classes run on a fee collection basis were suspended; 58 cases of purchase of revision materials by students were stopped and remedial actions were taken accordingly; 137 cases of violation of laws and discipline were handled, with 51 people penalized, including 7 leading cadres who were removed or discharged from their original posts.

According to the requirements set by the State Education Commission, Jilin province has made curbing arbitrary fee collection one of the key tasks to be accomplished this year. Starting this semester, a series of conscientious inspections will be carried out, with the focus placed on schools in the provincial capital, to solve issues that have aroused strong complaints among the public, such as the enrollment program for students from other school districts, the tuition fee rate, and the fee and service charge management system of senior secondary schools. In the meantime, the case of public schools running compulsory education which are collecting high tuition fees from students from other school districts will be taken up as a key issue, city and autonomous prefectural education departments and other departments concerned will carry out sampling inspections, while schools are to carry out self examinations, and county and district authorities are to carry out centralized general inspections. To encourage people of all circles and the general public to supervise the operation, the provincial government, the provincial education commission, the provincial supervisory department, and the provincial commodity price bureau have also set up special hotlines to take care of complaints, and the operation will be stepped up to process cases of violations of discipline.

Tianjin (by reporter Zhang Baomin)—As the new semester opens, in order to further the operation to straighten out unhealthy practices in the education sector, the Tianjin municipality education commission and education bureau reiterate the policies concerned, and put forth the "four bans." Primary and secondary schools are required to strictly implement the policies and the "four bans," and are warned not to seek departmental interests at the expense of the overall interests and image of the education sector.

The following are the "four bans" imposed by the Tianjin municipality education commission and education bureau: the 60 items of unreasonable service charges that have been banned by the State Education Commission and by the municipality government by formal decree on different occasions must not be restored; administrative and service charges that have been approved by the commodity price department must not be collected

beyond the standard rates; the rule set by the municipality government that bans any practice to link donations to student admission must not be violated; and the State Education Commission's order that bans any practice to run enrichment classes, continuation classes, and Olympic talent classes must not be violated. In addition, centralized book subscription and merchandise purchase services for students by the school must be conducted strictly according to relevant regulations.

Regarding the admission to primary and secondary schools, the Tianjin municipality education bureau has reiterated that state-run schools offering compulsory education generally are not allowed to admit students from other school districts, exception can be made in favor of a small number of students who do have some difficulties, for example, some students' addresses as shown in their residential household registration records are different from the locations of their actual domiciles. But the number of such students to whom exception is granted is subject to strict control, and the students' parents are not allowed to designate a specific school for their children. Senior secondary schools can admit students from other school districts, but they are subject to "four restrictions," specifically, "limited choices of schools, limited enrollment quota, the grade-point requirement, and the tuition fee limit." It is necessary to truly adopt some measures to narrow the gap between different schools, and eventually solve the issue concerning selection of schools running compulsory education. It is necessary to make the best of all education resources in an orderly manner; properly operate some state-run schools supported by local funds and local-run schools financed by state funds, with some key, model schools as the mainstays of the school system; rationally assign those students who need to attend school outside their school districts, thus offering them more choices of schools. Meanwhile, it is also necessary to strictly regulate the operation of this kind of schools, regarding collection of tuition fees and other service charges.

To cope with the great demand for family tutors and continuation classes as a result of the ban on various special classes, the Tianjin municipality education department will continue to work together with broadcast and television stations, jointly sponsoring broadcast or televised tutorial forums hosted by model primary and secondary school teachers. On the other hand, schools and teachers are urged to offer free tutorial to students who have difficulties in learning; full-time teachers are not encouraged to work part-time as family tutors; nor are they allowed to work as family tutors to teach students of their own classes; schools must attach importance to class teaching, make every effort to improve

the teaching quality, and try their best to help students solve all studying problems in their classes and schools.

PRC: Magazine Publishes Deng's Opinions on Yanan Spirit

OW1807142296 Beijing XINHUA Domestic Service in Chinese 0937 GMT 18 Jul 96

[FBIS Translated Text] Beijing, 18 Jul (XINHUA) — In its July issue, ZHONGHUA HUN [0022 5478 7609], a magazine published by the Society for the Study of Yanan Spirit, carries excerpts of "Deng Xiaoping's Opinion on Carrying Forward the Fine Tradition of Yanan Spirit."

Excerpted from the first to the third volumes of "Selected Works of Deng Xiaoping," "Deng Xiaoping's Opinion on Carrying Forward the Fine Tradition of Yanan Spirit" covers the following five aspects: make sure to publicize, revive, and carry forward the Yanan Spirit; solidify belief in socialism and communism; memorize hard the objective of serving the people wholeheartedly; foster a scientific attitude of seeking truth from facts; and promote the enterprising spirit of waging hard struggle.

Published in the same issue of the magazine, a commentator's article entitled "Yanan Spirit Will Shine Forever" points out that these five points are Comrade Deng Xiaoping's penetrating opinions on promoting Yanan Spirit and carrying forward the fine traditions — a powerful ideological weapon in guiding the people in building both material and spiritual civilization.

PRC: Filming Begins for TV Series Calling For Reunification

OW1807134796 Beijing XINHUA in English 0929 GMT 18 Jul 96

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — Filming began today in Beijing for a 20-part TV series called "Li Zongren Back From Overseas," which reflects the Chinese people's desire for peace and reunification.

The series depicts the life of Li Zongren, who once served as the acting president of the Kuomintang government, lived in the United States for 16 years and returned to the motherland on July 18, 1965, with the help of the Chinese Communist Party.

Cheng Siyuan, vice-chairman of the Standing Committee of the National People's Congress, who returned with Li in the 1960s, has been invited to act as a consultant for the production.

"Such a series aims to recapture this great historical issue, which will have a positive impact on the reunification of the motherland," Cheng said.

Luo Qingchang, a member of the former Central Advisory Commission of the CPC, who helped with Li's return, said that the situations at home and abroad in the 1960s were complex, and "the return of Li was full of great danger, but was eventually successful."

He added that working for the reunification of the motherland while struggling against splittism are still weighty tasks.

The TV series, which is being filmed by the Guangxi Film Studio, will be shown at home and abroad early next year.

Military & Public Security

PRC: Ninth Zhejiang Military District Party Congress Opens

OW1907113196 Hangzhou ZHEJIANG RIBAO
in Chinese 25 Jun 96 p 1

[Article by correspondents Wang Jianxin (3769 1696 2450), Jiang Zhenzhou (3068 7201 3166), Huang Yuncheng (7806 6663 2052), and reporter Liu Shansheng (0491 1472 7230): "The Ninth Party Congress of the Provincial Military District Opens in Hangzhou"]

[FBIS Translated Text] The Ninth Congress of the Zhejiang Provincial Military District CPC Committee opened grandly in Hangzhou today.

At 1430 today, the congress opened amid the resounding strains of Internationale. Li Zemin, provincial party committee secretary and provincial military district party committee first secretary, chaired the opening ceremony. He announced: Twenty-two election units in the provincial military district elected 240 delegates to the ninth provincial military district party congress. The actual number of delegates attending today's congress is 247, which constitutes a quorum. Executive chairmen for today's congress were Li Zemin, He Jiabi, Yuan Xinghua, Li Jinguo, Chen Lijiu, Liu Guangping, Sun Rongzheng, Geng Renzhu, Yang Ruifeng, Ding Jiaru, Sun Changhe, Qian Zhenwu, Fan Kuangfu, Zhang Yaoshen, and Chen Yungao.

Yuan Xinghua, provincial party committee standing committee member, eighth provincial military district party committee deputy secretary, and provincial military district commander, delivered the opening speech amid thunderous applause. He said: The main business of this congress is to thoroughly implement the guidelines of the Fifth Plenary Session of the 14th CPC Central Committee and the Central Military Commission [CMC] enlarged meeting under the guidance of Mao Zedong Thought and Deng Xiaoping theory of building socialism with Chinese characteristics; to carefully analyze and sum up progress and experience in the

provincial military district's party building and troop and reserve force buildup in the seven years since the eighth party congress in accordance with CMC Chairman Jiang Zemin's overall requirements regarding "political integrity, military competence, a fine work style, strict discipline, and adequate logistical support"; and to study ways to implement the party's line, principles, and policies, and the decrees and directives of the CMC and the provincial military district party committee. It is also to establish the goals, tasks, and measures for the provincial military district's party building and troop and reserve force buildup over the next five years; to elect the new provincial military district party committee and discipline inspection commission; and to mobilize party members and cadres throughout the military district and militia members and reservists throughout the province to work in concert in a realistic and creative spirit so as to raise to a new level the provincial military district's party building and troop and reserve force buildup and to enter the 21st century with an all-new outlook.

On behalf of the eighth provincial military district party committee, He Jiabi, eighth provincial military district party committee secretary and provincial military district political commissar, delivered a work report: "Fulfilling Chairman Jiang's 'Five-Point' Overall Requirements in an All-Around Manner and Constantly Advancing the Provincial Military District's Troop and Reserve Force Buildup." The report was divided into three parts, which basically summed up work over the past seven years, outlined the main tasks for the next five years, and called for earnestly strengthening party building and improving the cadre ranks. On the provincial military district party committee's work over the past seven years, He Jiabi said: Over the past seven years, we have emancipated our minds, carried out reform with determination, worked in concert, constantly blazed new trails, and did solid and fruitful work. First, we have strengthened ideological and political construction, thus bringing about marked improvements in the political qualifications of officers and men. Second, we have paid close attention to the central task of training for combat readiness, thus further improving troops' combat effectiveness. Third, we have improved the education and management of cadres at or above the regimental level, thus making further progress in improving party committee leading bodies and the cadre ranks. Fourth, we have implemented the "Program for Army Building at the Grass-Roots Level," thus making steady progress in Army building at the grass-roots level. Fifth, we have run the military strictly in accordance with the law, thus strengthening the buildup of a regular Army. Sixth, we have deepened reform aimed at adjusting work related to militia and reserve forces, thus making further

progress in building up reserve forces. Seventh, we have intensified logistical operations and technical work, thus bringing about noticeable improvements in our overall logistical services.

In planning the main tasks for the next five years, He Jiabi said: The general tasks and goals for the work of the provincial military district are: Under the guidance of Mao Zedong Thought, Deng Xiaoping theory of building socialism with Chinese characteristics, and Jiang Zemin's important expositions on Army building, and in accordance with Chairman Jiang's "five-point" overall requirements and the CMC's military strategies for the new period, we should make ideological and political construction the top priority; simultaneously build up troops and reserve forces; thoroughly make preparations for military combat; and adopt a pragmatic approach, run the military strictly, wage hard struggles, and do solid work so as to further strengthen party committee leading bodies and the cadre ranks, bring about new improvements in our strategic standards, promote further progress in all facets of Army building at the grass-roots level, further strengthen our overall logistical services, further improve security and stability, and constantly advance the buildup of troops and reserve forces for national defense.

At the congress, Wang Changgui, eighth provincial military district party committee standing committee member, discipline inspection commission secretary, and provincial military district deputy political commissar, delivered a report on the provincial military district discipline inspection commission's work. Zhang Tianfu, Li Jinguo, Chen Lijiu, Yang Xuemin, and Zhang Fangpan, eighth provincial military district party committee standing committee members, attended today's meeting. This morning, Chen Lijiu, congress secretary general and provincial military district political department director, chaired the first meeting of the presidium.

PRC: Commentator on Improving Cadres' Qualities

HK1807072396 Beijing RENMIN RIBAO in Chinese
11 Jul 96 p 1

[Commentator's article: "Profoundly Understand 'Brooking No Delay'—Conscientiously Study and Implement Comrade Jiang Zemin's Important Speech 'Making Efforts To Build a High-Quality Contingent of Cadres'"]

[PTS Translated Text for FBIS] In his speech "Making Efforts to Build a High-Quality Contingent of Cadres" delivered at the forum marking the 75th anniversary of the CPC founding, Comrade Jiang

Zemin pointed out: "Vigorously strengthening the building of the ranks of cadres and improving the quality of the broad ranks of cadres, leading cadres in particular, has become an important task facing our party, which brooks no delay." In the speech, Comrade Jiang Zemin explained the extreme importance and basic requirements for building a high-quality contingent of cadres and also illuminated essential ways to improve the quality of cadres. The speech proposed a major topic of decisive significance to party building and to the overall situation of the socialist modernization program. Comrades of the whole party should conscientiously study, profoundly understand, and resolutely implement the speech.

It is an urgent and arduous task to improve the quality of cadres. We should make unremitting efforts rather than try to accomplish the aim in one move, give full play to the role of the organization rather than rely on individual accomplishment, and deal with practical problems rather than make empty talk. In order to fulfill the major task which brooks no delay, the party committees at all levels and leading cadres should deepen their understanding, strengthen leadership, make overall planning, and seek practical results.

Why do we say that improving the quality of the broad ranks of cadres, leading cadres in particular, is a major task facing the whole party, which brooks no delay? This is because, first, our party is faced with the grand task unprecedented in the history of revitalizing the Chinese nation—Leading the people of all nationalities across the country to attain the grand objective that transcends the century. The task is grand, arduous, and complicated, which requires our party to enormously improve its art of leadership and upgrade the level of its administration. Second, on the whole, our party is worthy of its title and is totally capable of leading this grand cause. However, we should also be aware that there is a considerable number of comrades in the party's rank of cadres whose ideological and political qualities cannot meet the requirements of the new situation and its tasks. Unless we attach great importance to the matter and step up efforts to resolve it, the overall situation of the party and state will be affected and it will become a grave obstacle to the attainment of the great historic task. The words "brooks no delay" embody the seriousness, urgency, and arduousness of the problem as well as the attention given by the CPC Central Committee to the matter and its determination to resolve the problem.

We are now in an era of big change and a great turning point. One of the marked characteristics of the current change and turning point is the change effected from extensive to intensive development and from

quantitative to qualitative increase in social economic growth. The change in economic structure from the planned economy to a socialist market economy, the change in economic growth from extensive to intensive development, and the shift of economic construction onto the track of relying on scientific and technological progress and improving the qualities of laborers have all embodied this characteristic to varying degrees. In our party building, we should also shift the focus from paying attention to the quantity of party members to improving their quality. Our party now has more than 57 million members and the number is rapidly growing. We recruited 2.19 new members in 1995 alone. At the time when the ranks of our party are continuously expanding, we should pay particular attention to improving the quality of members.

In light of the requirements of Comrade Jiang Zemin's speech, the party committees at all levels should immediately take action, conduct special studies and work out plans on building a high-quality contingent of cadres. Since the Fourth Plenary Session of the CPC Central Committee, the party committees at all levels have earnestly implemented the "Decision of the CPC Central Committee on Several Issues on Strengthening Party Building" and have accumulated a lot of good methods and valuable experience in arming the broad ranks of cadres with Marxism-Leninism-Mao Zedong Thought and Deng Xiaoping's theory of building socialism with Chinese characteristics, organized the broad ranks of cadres to receive training and make contribution at the forefront, and selected large numbers of outstanding young cadres and strengthening the building of leading bodies. With the spirit of Comrade Jiang Zemin's speech as the guide, we should seriously sum up such an experience, draft long-term plans for the future, and further standardize and institutionalize the work of improving the qualities of cadres so that it can occupy a prominent position and play a bigger role in the great project of party building with far-reaching significance.

The key to improving the quality of the ranks of party members lies in improving the quality of leading cadres, particularly principal and senior level leading cadres. Principal leading cadres of the party and government at all levels should take the lead in studying the important expositions of Mao Zedong and Deng Xiaoping on party members and cadres, the requirements set forth in the party constitution for party members and cadres, and the five basic political and professional qualities put forward by Comrade Jiang Zemin for leading cadres; make strenuous efforts to improve their political, ideological, discipline, style, and professional qualities; and set an example and serve as the pacesetter. At the same time,

they should pay close attention to the building of the leading bodies as a whole, particularly ideological and political building, so that the leading bodies can become firm leadership collective with combat effectiveness and cohesive force. The practices of those who only know how to teach others but cannot set an example, who only know how to deal with their own affairs but cannot lead others well, and who only know how to make general calls but have no feasible plans do not conform to the requirements of the party for leading cadres, are disadvantageous to the building of a high-quality contingent of cadres, and must be resolutely overcome and rectified.

To build a high-quality contingent of cadres, it is necessary to focus attention on improving the ideological and political qualities of cadres and emphasize that leading cadres must stress politics. For some time in the past, it is true that some localities and comrades have failed to stress politics and even ignored political problems, which resulted in the weak link in ideological and political building and a decline in ideological and political qualities. By inquiring deeply into the root of the matter, we found that the fundamental reason for all sorts of negative and corrupt practices prevailing among cadres is that they did not understand, failed to stress politics, and lacked Marxism and socialist politics in their brains. Therefore, improving the political qualities of cadres should be placed in the primary position of the work to improve quality of cadres. Adopting various means to strengthen ideological and political education will play an important role in improving the quality of cadres. In order to give full play to the power of ideological education, it is necessary to coordinate with the work in other fields. For example, selection and appointment of cadres serve as the guide to improving the quality of cadres. If the cadres selected have ability and moral integrity and have attained outstanding achievements, they will be supported by the masses and it will arouse the enthusiasm of more cadres for improving their quality. If the cadres selected do not have ability and moral integrity and their achievements are not outstanding, their public comments will be poor and it will dampen the enthusiasm of the broad ranks of cadres and give the wrong guidance. In the work of improving the quality of cadres, we should attach great importance to and seriously resolve the problem.

The major task of building a high-quality contingent of cadres set forth by Comrade Jiang Zemin for the whole party will be of far-reaching significance to strengthening our party building and shouldering the great historic mission of leading socialist construction with Chinese characteristics. Let us seriously study and resolutely implement the speech, and use the practical

action of comprehensively improving the qualities of cadres to submit a qualified paper to the CPC Central Committee and the people of the whole country.

PRC: PLA Helicopter Patrol Succeeds Over Plateau
HK1907093496 Beijing JIEFANGJUN BAO
in Chinese 20 Jun 96 p 2

[Report by Hou Wei (0186 0251): "First Successful Mission of Helicopter Patrol Over Plateau"]

[PTS Translated Text for FBIS] At 0930 on the morning of 25 May, a "Black Eagle" helicopter of an air unit of the ground forces took off from Aksu airport and flew slowly along China's border. Mountain passes, selected points, highlands, and rivers could all be taken in at a glance. Videorecording, photography, surveying, and recording all proceeded in an orderly way. When the helicopter reached the skies of the Kurkan border, officers and men on the ground hailed its arrival. Political instructor Liu Dexiang said with emotion: "It has come at last!"

When the helicopter was parked at the Biedieli border parking lot, tens of thousands of the masses of various nationalities watched from afar, using their devoutness to greet the first aircraft flying to a remote country in the southern border. When the second aircraft was flying from Wuzongtushe River along the border westward on 28 May, it suddenly encountered a strong current. The pilot used his consummate skill and resourceful adaptability to fight the current. The aircraft wavered up and down, going through the clouds at one moment and then flying at a low altitude at another. In the cockpit, the training advisers were making records on the charts. The aircraft eventually reached the sky of Kejiaerte border airport. Herdsmen came from all directions, some on foot and some on horseback, and spontaneously lined up in three columns, watching from afar. They applauded for more than 10 minutes. All members of the crew and comrades from the Xinjiang and Nanjiang military districts were moved by the sight. With pride, the pilot made a roundabout and then continued with the flight to the next destination.

To date, all the landmarks and mountain passes on the map have been located. Following the Beijiang air patrol last year, our Army has started its air patrol of the plateau and made a success of its trial flight.

PRC: Article on Strengthening Logistical Forces
HK1807044896 Beijing JIEFANGJUN BAO
in Chinese 23 Jun 96 p 96

[By reporters Yang Yang (2799 2799) and Nie Zhonglin (5119 0022 2651): "Strengthen Logistical Exercises, Raise Logistical Abilities"]

[PTS Translated Text for FBIS] A large-scale logistical exercise has been conducted recently in a theater in southwest China. The exercise has demonstrated the "high-efficiency, rapid speed, and mobility" of modern logistical support, at which leaders and experts from the three general departments gasped with admiration. Wang Ke, director of the General Logistics Department was glad to announce: "The exercise was a great success and an encouragement because it has demonstrated the scale, the ability, and the achievements of the logistical forces!"

To meet the needs of mobile operations under modern high-tech conditions, the three general departments, in accordance with the Central Military Commission [CMC]'s plan, organized the entire Army to conduct campaign tests for the logistical forces more than a year ago. The success of this training has fully shown that the exercises achieved the expected results.

How can we build "immovable" and "semi-movable" strategic and campaign administrative bases into stable logistical forces, which are "all-moving" and are capable of providing omni-directional emergency support? For more than a year, in light of the actual conditions in the theater, all units throughout the Army have painstakingly organized the tests and have made gratifying achievements in studying ways of providing mobile logistical support: Adopting the method of designing key construction in peacetime and selecting emergency units in wartime to strengthen the quality building of logistical units; introducing a new basic supporting system; improving mobility and comprehensive support by persistently conducting tests while building the Army; and achieving a good deal of valuable theoretical results.

During the tests, the logistical forces had always put themselves in the "future battlefield." On many occasions, they conduct drills under simulated combat conditions. Some of them also participated in the air-sea-land joint exercises, in which they adopted such methods as accompanying and strengthening supporting forces to provide effective logistical support for the armed forces, earning approval and commendation from the CMC leaders. When reviewing the all-army tests, Wang Tailan, deputy director of the General Logistical Department, said: Practice has proven that the CMC's policy

decision is correct, and the tests have not only discovered an effective way to build the logistical forces under the present conditions, but also offered a reference to the building and development of our logistical units.

Wang Ke demanded: All-army logistics units further raise their supporting abilities on the basis of constantly stepping up research on mobile operation, have a strong sense of responsibility for Army building, keep forging ahead, bold in reform, seize opportunities, and speed up development so as to strive to meet Chairman Jiang's requirement on "being assured of adequate logistical support."

PRC: Hubei Sentences 46 Criminals to Death

*SK1907115396 Wuhan HUBEI RIBAO in Chinese
6 Jul 96 p 1*

[By reporter Shi Benteng (4258 2609 1694) and correspondents Wu Zhongquan (0702 0022 0356) and Li Chenggui (2621 2052 2710)]

[FBIS Translated Text] On 5 July, the provincial Higher People's Court indicated: Courts at all levels throughout the province strictly and quickly punished a number of bus and train marauders in the crackdown drive. So far, 26 cases of this kind were concluded and 46 criminals were sentenced to death.

As indicated by Li Qifan, president of the provincial Higher People's Court, and Wu Jiayou, vice president, the bus and train marauders made use of speedy transportation vehicles to commit crimes in several regions. They robbed on many occasions and a lot of people were victimized and a large amount of money was involved. The harm they did to society was very serious. People from all walks of life lodged strong repercussion against them, and urged justice organs to take determined and effective measures to strike relentless blows to the rampant arrogance of criminals.

A 26-people gang of robbers headed by Zhou Junhua, rented cars and committed armed robbery on the state highway No. 207 and No. 318 and Yichang-Huangshi Highway in the period from February to July in 1995. They intercepted 58 cars, robbed more than 110 people, beat 37 people, and gained cash and material worth 134,000 yuan. Seven major criminals, including Zhou Junjie, Jian Long, Li Long, Yi Xianhua, Li Bing, and Xiung Fen, were sentenced to death, and other criminals were all sentenced to imprisonment.

Guangxi peasants Tan Linhui, Tan Zhenggui, and Tan Haidong, together with other criminals, brought self-manufactured guns and axes with them to flee to Hubei's state highway No. 107 Xianning and Xiaogan sections from September to December, committing 11 robberies.

They intercepted 13 cars, robbed 42 drivers and passengers, and snatched away cash topping 100,000 yuan and beepers and watches. These criminals used violence to commit many robberies in various provinces. The money concerned was especially tremendous, and the harm they did was great. The Xianning Prefectural Intermediate People's Court's first trial sentenced Tan Linhui, Tan Xhenggui, and Tan Haidong to death for robberies and deprived them of political rights for life. After the reexamination by the second trial of the provincial Higher People's Court, death penalties for the three criminals were approved.

PRC: Beijing Work in Illegal Publications Anticrime Fight Noted

*OW1807133296 Beijing XINHUA in English
0749 GMT 18 Jul 96*

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — The fight against illegal publications has been fruitful in China's capital city of Beijing so far this year.

Officials have seized 250,000 illegal publications, 500,000 CDs and 25,000 video tapes.

Local police have investigated 517 cases related to the production, sale and piracy of such publications, according to statistics released by the police.

In the second half of this year, the Beijing Evening News said, the city will tighten its reins even further on illegal publications, including audio, video and electronic productions, and wholesale publications.

Beijing also aims to step up the way it regulates entertainment places, including dance, singing and game halls, and disco houses, in a bid to stamp out pornographic services.

People engaged in such illegal undertakings will face severe punishment, the authorities have warned.

The local drive is part of the massive anti-crime campaign waged in the country this year.

PRC: Shandong Holds Meeting on Public Security

*SK1907052696 Jinan Shandong People's Radio
Network in Mandarin 2300 GMT 18 Jul 96*

[FBIS Translated Text] The provincial meeting on developing the crackdown drive and on the comprehensive management of public security in a deepened and sustained manner ended in Jinan on 18 July.

The meeting pointed out that it is imperative to employ down-to-earth and effective measures to push forward the grassroots and foundation work for Shandong's crackdown drive and comprehensive management of

public security, and put them into practice at grassroots units in urban and rural areas.

Attending the meeting were Li Wenquan, deputy secretary of the provincial party committee; Wang Weitian, vice chairman of the provincial people's congress; Zhao Changfeng, chief procurator of the provincial people's procuratorate; and Han Bangju, special adviser to the provincial government.

The meeting was presided over by Vice Governor Wang Yuxi. Zhang Huilai, standing committee member of the provincial party committee and secretary of the provincial political and legal commission, addressed the meeting.

The meeting pointed out that to measure the results of the unified action of the crackdown drive, we should pay attention to the number of cases cracked, criminal cliques smashed, conspicuous public security problems resolved, and illegal guns seized. It is imperative to strengthen people's sense of security. We should be familiar with the real situation of Shandong's public security through the crackdown drive, and obtain a correct estimation of the social situation. We should analyze the development trend of public security, and master the characteristics and rules on crimes under the new situation. Weak links and existing problems should be overcome, and complacency, paralysis, and fear of difficulty should be prevented and eliminated. It is imperative to consolidate leadership, increase momentum, continue to deepen struggle, and consolidate as well as develop the results achieved in the crackdown drive.

The meeting stressed: It is imperative to strengthen the responsibility system for the comprehensive management of public security, and establish a strict inspection and supervision system, a quota-set assessment system,

and a system of rewards and punishments. We should standardize the grassroots organization, and the foundation work for strict prevention, strict administration, and strict rectification, so as to implement comprehensive management.

The meeting also emphasized that it is imperative to pay attention to rectifying the discipline and work style of judicial, procuratorial, and public security contingents, and improve their anticorruption struggles and building of a clean administration. A high-quality judicial, procuratorial, and public security contingent should be built.

PRC: Heroin Traffickers Seized in Gansu

SK1907054696 Lanzhou GANSU RIBAO in Chinese
6 Jul 96 p 1

[FBIS Translated Text] On 25 June, based on the report of the masses, cadres and policemen of the West Station Public Security Office of the Lanzhou Traffic Public Security Subbureau seized a narcotics trafficking suspect called Yan at the east street of Yanchangbao, and 5 grams of heroin were captured on the spot. Through investigation, it was learned that someone else would trade in narcotics at Qilihe's Cuijiaai. So, cadres and policemen were immediately deployed there to keep watch over the dealer. In the early hours of 26 June, Ma Xiaolong, a suspect who was selling narcotics, was seized, and 30 grams of heroin were confiscated from his body. Through interrogation, it was learned that Ma Xiaolong is a peasant in Kangle County's Liuchuan Township. Since coming to Lanzhou last March, he has committed narcotics-related crimes under the pretense of selling vegetables.

General

*PRC: Causes of Huge Savings Deposits Examined

96CE0315A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese 29 Apr 96
No 17, pp 15-17

[Article by Zhou Li (0719 4539): "Causes of, Counter-Measures for China's Huge Savings Deposits"]

[FBIS Translated Text] Huge savings deposits have always been the hot spot in China's economic life in recent years. The total savings deposits for urban and rural residents exceeded 1 trillion yuan in March 1991. It exceeded 2 trillion yuan in January 1994. At the beginning of 1996, it exceeded 3 trillion yuan. Such huge amounts of savings and high growth rate have won great admiration from economists at home and abroad.

I. Where Do Such Huge Savings Deposits Come From?

In fact, savings deposits for Chinese residents have always been growing rapidly since the implementation of the reform and opening-up policy. According to figures announced by the People's Bank of China, the amount of savings deposits for residents in China reached 2.97 trillion yuan at the end of 1995, a growth of more than 140 times than the 21.06 billion yuan in 1978

when the reform program was first started. According to the statistics compiled by the International Monetary Fund in 1995, China's rate of saving had always been at the top of the world list since the 1970's (See Table I). According to a relevant analysis, China's marginal rate of saving had been growing for several years (See Table II). That is, while the money income of rural and urban residents in China increases, the growth rate of their savings deposits far exceeds that of their spending. What is the reason for such a huge rate of growth for saving deposits in China?

Table I. Changes in Global Rates of Savings

Ranks	1960's	1970's	1980's	1990's
No. 1	Japan	China	China>	China
No. 2	Switzerland	Japan	Taiwan	Korea
No. 3	Holland	Switzerland	Japan	Japan

Source: International Monetary Fund (IMF) Quoted on Page 34, JINRONG CANKAO 1995 September Issue

Table II. Changes in China's Marginal Rate of Saving in Recent years

Year	1991	1992	1993	1994
Marginal Rate of Saving	13.87	22.81	26.17	67.18

Note: Marginal Rate of Saving equals increment of savings in that year minus that in the previous year divided by money income for residents in that year minus that in the previous year Residents' money income equals money income of urban residents plus that of rural residents

Source: China JINRONG YANJIU 1995, May, Page 25

A. Income of Residents Rise. Prior to 1978, money income of Chinese residents grew only slowly. After meeting the basic needs in livelihood, little was left from their earned income. According to statistics, in the 26 years between 1952 and 1978, the savings deposits for urban and rural residents in China only grew more than 700 million yuan each year, and the individual average rate of saving was below 2 percent. With the gradual implementation of the reform and opening-up policy in China, the Chinese government has adopted the strategy of "storing wealth among the people." Since then, the rate of growth of resident money income has

increased by leaps and bounds. The average annual income of Chinese residents rose from less than 100 yuan to 3,179 yuan for urban residents in 1994 with the per capita income of rural residents reaching 1,221 yuan. Particularly in recent years, China's economy was in a stage of rapid growth. The annual growth rate of the Gross National Product (GNP) during the "Eighth Five-Year Plan" period reached 12 percent. This had brought about fundamental changes in the pattern of income distribution among Chinese residents. Statistics compiled between 1978 and 1994 showed that the spendable income of residents increased by 49.41

yuan for every 100 yuan growth of the per capita GDP. During this period, the spendable income had grown by 11.5 times due to the growth of worker per capita income and the number of workers. (See page 12 of Issue No. 15, 1995 ZHONGGUO JINGJI XINXI). The rapid rise of spendable income, the Chinese residents' fine tradition of "managing the household industriously and thriftily" and their habit of spending less money have turned a greater portion of their incomes into savings.

B. Impact from structural reform. With the all-round development of the economic structural reform in China, various reform measures in labor recruitment and use, medical care and public health, old-age retirement, housing and other systems have been made public one after another. However, due to our lagging social security system, many families feel crisis-ridden and seek to make provisions before troubles occur. Thus, they paid attention to readjusting the structure of their expenditures, curbed spending and increased their savings. Savings means keeping money for future spending (such as for unemployment, retirement, marriage, children's education) as well as expenses in large amounts to help urban residents buy houses and rural residents to build houses and purchase major farm machinery. Acting in concert, both rural and urban residents have adopted this form of "saving small increments into abundance."

C. Unitary investment channel. Generally speaking, there should be various investment channels for residents' extra money after they pay for their daily necessities. They may buy stocks, bonds, value-preserving assets in kind, houses, antiques, scrolls and paintings, and stamps. In recent years, the securities market has actually absorbed a large amount of money. However, after a short period of craze, individual investors discover that risks are high in the Chinese stock market and that there are too many policy-oriented interferences in the market. The "bullish" market lasts much longer than the "bearish" market. It is hard to cash any enterprise bond when it reaches maturity, and treasury bonds can only be regarded as another form of saving. Therefore, most of the investors have learned their lessons after suffering losses on several occasions. They believe that it is still safer to put money in the bank. As for real estate, it has never become a hot spot for investment, because most of the Chinese residents are unable to come up with so much money within a short period of time, and consumers who have the need to buy houses are working hard to save money now. As for antiques, scrolls and paintings, and stamps, not too many investors are interested, because they must have the interest and the ability to appraise them. Only a very small percentage of the residents have bought gold as a means to pre-

serve the value of the currency. Also, only residents in certain areas (such as Guangdong and Shanghai) tend to buy gold. It is for these reasons that residents have finally chosen the most traditional and safest way of investment — saving deposits.

D. Attraction of value-preserving subsidies. China's high economic growth rate is accompanied by its high inflation rate. It is for this reason that China has formulated its policy of inflation-proof savings deposits and provided value-preserving subsidies to describe savings deposits of larger amount. This policy of value-preserving subsidies was implemented from September 1988 to December 1991. When the inflation rate stayed high in 1993, China had once again restored the policy of providing value-preserving subsidies on 11 July 1993. Under situations of "negative interest rate" (The fact that China's inflation rate exceeds the bank interest rate for savings deposits makes the actual interest rate negative for a long time) such a subsidy has greatly attracted many clients who have a hard time in looking for an appropriate investment channel. With the implementation of an appropriately tight monetary policy, people expected a lower inflation rate in 1994 and 1995. In 1996, the Head Office of the People's Bank of China has repeatedly expressed its determination to continue implementing the appropriately tight monetary policy. This has strengthened the confidence of the depositors and brought about a high growth rate of savings deposits.

E. Lack of hot spots in spending. With the increase of residential income by a large margin, there are many hot spots for spending. In the early stage of reform and opening-up, bicycles, sewing machines, wrist watches and radio cassette tape-recorders had whipped up a high tide of spending for a long time. Two years ago, another high tide to buy large screen television sets, air-conditioners, and family audio equipment and to install telephones also lasted for a while. However, the income difference has widened among people of different professions and in different regions. Thus, there has emerged a "spending fault" or "spending generation gap" recently. As far as many residents are concerned, they have enjoyed a relatively comfortable life. They have enough durable consumer goods in the family. For most of the families, commercial houses, sedans and other new hot point consumer goods are within sight but beyond reach within a short period. As for the large number of rural residents in the countryside, particularly those in remote areas, the problem to provide enough food and clothing for approximately 70 million people still awaits solution. Most of the people still cling to their concept of "raising children for one's old age" and of "saving money for

one's old age." They have the aspiration to buy high-priced consumer goods, but they simply cannot afford to buy them. Thus, it will be hard to witness another spending boom like the one in the 1980's. Therefore, the majority of residents have chosen to put their extra money into the bank.

In addition, public funds are often deposited as private money. (According to an estimate made by a relevant department, this kind of deposit accounts for approximately 10 percent of the total amount of savings deposits. For example, an extensive survey made by the Jiangsu Provincial People's Bank in 1994 showed that the amount of public funds deposited as private money accounted for 12 percent of the total amount of deposits. The fact that in order to fulfill the assignments given by the higher authorities to attract more savings deposits, various specialized banks have raised their interest rates in disguised form which has also given "impetus" to creating such huge savings deposits.

II. Meaning of Huge Savings Deposits

The phenomenon of huge savings deposits has aroused full attention from economists and bankers in China.

From a positive point of view, huge savings deposits mean stable source of investment. The rapid economic growth in China is inseparable from the simultaneous growth or even ultrahigh-speed growth of the savings deposits for residents since the 1980's. China's economic foundation is fairly weak, its population large, and the pressure from seeking employment high. There is a relative shortage of money and financial sources. Both domestic and foreign funds are in short supply. The steady and rapid growth of saving deposits for residents has undoubtedly greatly helped solve this problem of money shortage. In this connection, Japan also has similar successful experience. The "Patriotic Savings Movement" and the policy of "saving money for national salvation" advocated by the Japanese government had greatly benefited Japan in creating a post-war economic miracle. Even at present, Japan still maintains a relatively high rate of saving (see Table I). Right now, production of commodities and labor productivity in China still fail to meet the huge market demand by a wide margin. The increase of savings deposits will help alleviate the situation created by market supply and demand. Therefore, the growth of savings deposits is able to create the necessary condition for China to change its economic pattern and readjust its production and consumption structure. The growth of savings deposits helps avoid a situation whereby "excessive amounts of currency pursue a limited quantity of commodities" and reduce the pressure from inflation. Objectively, it tallies with the policy of the central bank in lowering the in-

flation rate and adhering to the appropriately tight monetary policy.

From a negative point of view, there are many problems hidden behind the huge savings deposits. It means that a considerably large amount of currency will be withdrawn from the realm of production and circulation. Besides, the huge deposits will carve up value instead of directly participating in creating value (it means living off the interest). On the one hand, this situation puts off spending, reduces the effective demand, cuts the motive power to produce more commodities and work harder, and causes overstocking and sluggish sales of material products. On the other hand, it increases the banks' operational costs, and forces the banks to pay more interest. This situation is particularly more serious during a depression. For example, enterprises in China have shown relatively poor economic performance in recent years. They suffer more actual losses than profits. Thus, the banks find it difficult to recall loans and collect interest. Under this situation, the rapid growth of savings deposits will further increase the banks' operational costs, and make things difficult for specialized banks to transform themselves into commercial ones.

III. A "Caged Tiger" or A "Field Ox"

The huge savings deposits play a significant positive role, but meanwhile, it also creates a negative or even destructive effect. Therefore, economists and bankers in China have debated the impact of huge savings deposits on the economy on several occasions. Typical views can be summed up in two metaphors — a "caged tiger" or a "field ox."

Some people believe that huge savings deposits pose potential threats. Whenever a sudden political or economic incident occurs, there will possibly be runs on banks to withdraw money, leading to bankruptcy of financial institutions and a financial crisis. Meanwhile, huge savings deposits mean a large amount of spending money. All depositors are in the status of "readiness to spend money." If there is a disorder in social funds, and consumers expect commodity prices to rise rapidly, people with funds of nearly 1 trillion yuan may rush to the market to buy all types of goods in a buying spree. This may cause commodity prices to jump frantically upward, and trigger a social upheaval. This kind of worry is not without reason. Buying sprees took place in China in 1988, because people were worried about runaway inflation. As a result, they rushed to the market in panic to buy and commodity prices went up in a frenzied way. From this, we can see that huge savings deposits are just like a "tiger." Restricted by other factors, it is, right now, lying in the bank accounts just like a "caged tiger."

Some other people believe: Right now, the chance of such sudden incidents is remote. Huge savings deposits are actually a "field ox" working hard for China's economic construction. We may turn a large amount of consumption funds into production funds, raise funds for economic development and increase the reserve strength for construction.

These two concepts reflect the positive and negative roles of huge savings deposits.

IV. Divert Savings, Let "Tiger" Work Hard in Farming

China is striving to develop market economy. On the issue of how to guide the huge savings deposits to serve economic construction and stimulate economic growth, we must also adopt measures with the market in mind. We had mentioned before that huge savings deposits pose potential threats. They would increase the burden of the banks and concentrate their force to assault the market. Therefore, we should adopt countermeasures to change the savings mechanism, provide more investment instruments, and diversify the savings accounts. I believe that we should establish and improve a system for the financial market as soon as possible, and put more financial instruments on the

market so that residents would have more channels available for them to invest their money. The investment term can be long or short, and deposits can be of great or little liquidity. Thus, whenever an unfavorable situation arises, the scale of savings deposits for residents will change. Meanwhile, the diversification of investment for residents will also serve to optimize the banks' liability composition. By adjusting interest rates according to market supply and demand and earnestly lowering the excessively high interests rates, we will be able to greatly help the banks reduce their operational costs and become commercialized. Moreover, when residents invest in stocks, bonds, and in short-term money market, such investment is equivalent to transferring money into the realm of production. It will help promote economic development. Right now, the most feasible way is to improve the investment fund in China; and turn the huge savings deposits into investment funds and invest in the securities market or in production. In this connection, we should learn from the U.S. good experience for more than ten years in helping savings deposits change their flow direction (see Table III). Diversification of savings is the inevitable outcome of the development of market economy.

Table III. Change of Flow Direction and Flow Rate of Annual Savings Deposits of American Families (Unit: US\$100 million)

Item	1981	1984	1987	1990	1993
Bank deposits	1,500	2,300	1,100	900	- 2,000
Mutual funds	0	200	700	900	2,100

Source: (U.S.) McKinsey Consulting Company

In accordance with the "Ninth Five-Year Plan", China has firmly established a diversified financial system, and set policy targets to bring about changes from indirect financing to direct financing (mainly in stocks and bonds). It is believed that during the "Ninth Five-Year Plan" period, the Chinese government will be able to use measures based on market supply and demand to solve the existing problems in market economy, truly remove the hidden peril of the huge savings deposits, and let the "tiger" work hard at farming.

*PRC: Analysis of Human Resources

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[Article by Yao Yuqun of Labor and Personnel College of the Chinese People's University and edited by Xing Bochun: "Analysis of the Issues of Human Resources in China"]

[FBIS Translated Text]

I. Analysis on China's Human Resources in Terms of Quantity

(1) The Issue of Excessive Quantity of Human Resources in China

China is a country boasting the largest population and human resources in the world, and the affluence of human resources is one of the basic national conditions in China. Meanwhile, China is a country relatively backward in economic and social development. The enormous quantity of human resources is both an advantage and one of the basic causes of a series of thorny social and economic problems facing the country because of the serious imbalance between human resources, natural resources, and social funds.

According to statistics, in 1982, the total number of China's labor force was 566.83 million people; in 1990 it came to 697.32 million people; and in 1992, the number grew to 721.20 million, of which the labor force in cities and rural areas was 178.77 million and 531.05 million respectively. During 1982 and 1990, the net increase of labor force in China was 130.49 million, or an average annual growth of 16.31 million people. During 1990 and 1992, the net increase was 23.88 million people, or an average annual growth of 11.94 million, which still presented a tendency for further vigorous growth. According to the data released by the state statistical departments after the latest readjustment of specifications (with the range of the quantity of labor resources extended), the total number of labor resources throughout the country was 820 million people in 1993; it reached 825 million in 1994 and would reach 833 million by the end of 1995. Calculated with the specifications used in 1992 and before, it was 700 million in 1994 and would reach 710 million by the end of 1995. Owing to the inertia of population growth and change of population structure, the number of labor resources in China will continue to grow for some decades. It is anticipated that by the year 2000, it will reach 770 million people calculated with the old specifications and 886 million calculated with the new ones.

For a considerably long period of time, the proportion of human resources in the gross population of China has always been on a rising trend. It was 55.8 percent in 1982, 59.1 percent in 1985, 61 percent in 1990, and 61.6 percent in 1992. The utilization rate of human resources was also on the rise, which registered 79.9 percent in 1982, 80.3 percent in 1985, 81.4 percent in 1990, and 82.4 percent in 1992. The high utilization rate of human resources reflected the ample supply of labor force in China and the excessive absorption of it in society, which have led to problems including "iron-clad bowls," "unemployment without being discharged from the work units," and so on. The scope of human resources in China is extremely large, and the total number of human resources is still increasing. The proportion of laborers participating in various social activities is comparatively

high too, which made the original contradiction of serious excess of human resources even more intense.

(2) The Issue of Industrial Structure and Its Changes in China

The social structure of the labor force is an essential index of the condition of human resource utilization and a major content of economic development level and social life in a country. The most significant content of the social labor structure is the three major industrial structures. In China, the proportion held by the labor force of the three major industries in the total number of laborer force in society can be seen in the chart below.

Taken as a whole, the changes in China's industrial structure have been accelerated since the beginning of the 1980's. Although the gross population and the total number of labor resources are both increasing, the labor force in primary industry fell relatively quickly, while that in secondary and tertiary industries rose relatively quickly. During the 1980's and 1990's, the labor force in primary industry showed an average annual decline of 0.89 percent, while in secondary and tertiary industries it showed an average annual increase of 0.29 percent and 0.6 percent respectively. Since the 1990's, the pace of changes in industrial structure has further quickened. Between 1990 and 1994, the labor force in primary industry dropped by 1.4 percent each year on average, but in secondary and tertiary industries, it rose by 0.33 percent and 1.1 percent respectively. Since the 1990's, the proportion of agricultural labor force has dropped by a large margin, its absolute number has been declining too. As a result, a phenomenon of the "waves of migrant workers" featuring a multitude of rural laborers swarming into cities in search of jobs has emerged, and there was great potential as well as pressure of laborers transferring from agricultural to nonagricultural sectors in China. In 1994, the changes of industrial structure were so extraordinarily rapid that a phenomenon rarely seen in history was evoked, which showed that during that single year, the absolute and relative numbers of laborers in primary industry dropped by 13.93 million people and 2.9 percent respectively, while those of tertiary industry shot up by 18.84 million people and 2.8 percent; in the meantime, the situation in which the proportion between secondary and tertiary industries having been placed upside down for many years, has returned to normal, so that laborers in tertiary industry held a larger proportion than those of secondary industry.

The proportions of labor force of various industries between 1952 and 1994

Year	Primary Industry	Secondary Industry	Tertiary Industry
1952	83.5%	7.4%	9.1%
1980	68.9%	18.5%	12.6%
1990	60.0%	21.4%	18.6%
1993	57.4%	22.4%	20.2%
1994	54.3%	22.7%	23.0%

As viewed from the angle of the overall pattern of proportions between the three major industries, China's development level is still very backward. Judging from the trends of the in-depth reform and industrial structural readjustment in China, more rapid changes will still take place in the structure of the social labor force, and in the next few years the proportion of primary industry will further go down, that of secondary industry will rise to a certain extent, and that of tertiary industry will go up comparatively rapidly. From here we can see that the rapid changes in the industrial structure of human resources will further expose the serious problem relating to surplus labor force.

II. Analysis of China's Human Resources in Terms of Quality

(1) The Condition of the Quality of Human Resources in China

The quality of human resources is a major factor of economic growth and an essential content of social development and progress. Taken as a whole, China's cultural and educational undertakings are still relatively backward, so the quality of human resources is relatively poor too. According to the data of the fourth census conducted nationwide in 1990, among the population above the age of 15, the number of illiterates and semi-

illiterates reached 180 million people, accounting for 22.2 percent of the total population, of which those at elementary, and junior, and senior middle school educational levels accounted for 37.1 percent, 23.3 percent, and 8.0 percent respectively, and those at and above university educational level only accounted for 1.4 percent of the total population. Compared with the third national census, the results of the fourth census showed that, given a certain degree of enhancement in the quality of China's labor force, the problem is still very serious since the overall level is still comparatively low, the rate of illiteracy is still comparatively high, and the proportion of people at university educational level is still rather small.

The quality of human resources is an important domain with extensive contents. Taken specifically, it consists of the labor force's natural quality (i.e. capability) and moral quality. Here, we would like to make further analyses on the quality of human resources in China:

1. There are still relatively big problems existing in the quality of China's human resources in terms of capability. Judging from the data regarding the Department of Labor's predictions of the wage, insurance, and welfare planning model, there is a certain gap between the quality of China's human resources and the requirements for economic and social development. The condition of laborers' educational level in China is shown in the charts below.

The quality of China's laborers in terms of capability is poor, which is a vital problem affecting and restricting economic development and social modernization. Owing to the tendency that the urban labor force is unwilling to be workers, there is a shortage of qualified successors of technical workers; and because large numbers of temporary workers without skills and sound cultural standards and rural workers have taken up their posts before they are properly trained, quite a few problems have cropped up accordingly.

Following is the composition of laborers' educational levels in China between 1990 and 2000 (unit: %)

Educational Level	Laborers of Entire Society			Urban Laborers			Rural Laborers		
	1990	1995	2000	1990	1995	2000	1990	1995	2000
Elementary school or below	55.55	48.75	42.92	19.63	17.34	14.74	64.54	60.57	54.22

Educational Level	Laborers of Entire Society			Urban Laborers			Rural Laborers		
Junior middle school	30.97	33.52	34.76	43.73	44.10	41.49	26.84	29.54	32.06
Senior high and special secondary school	13.37	15.01	18.52	30.58	31.74	35.41	7.79	8.72	11.75
University and college	2.11	2.72	3.81	6.07	6.83	8.38	0.84	1.17	1.97
Engineers or above	0.58	0.74	0.92	1.93	2.23	2.56	0.15	0.18	0.26

The quality of China's special technical and managerial personnel is relatively poor too. In 1990, the percentage of professionals receiving tertiary education was 21.8 percent, those receiving senior high school education stood at 49.47 percent, and there were 28.73 percent of them at and below junior middle school level. Among the managerial personnel, the percentage of those receiving tertiary education was 19.64 percent, those receiving senior high school education was 33.90 percent, and there were still 46.46 percent of them at and below junior middle school level. There still exists a certain gap if compared with the requirements for economic reform and development and with the requirements for economic and social modernization.

2. Relatively big problems also exist in respect of laborers' moral quality in China, which does not suit the requirements for economic reform, social modernization, and the modernization of enterprise operation and management. They are chiefly shown as follows:

First, they show no zeal for work. According to a survey conducted by the Economics Institute of the Chinese Academy of Social Sciences, the average score of staff and workers in state-owned enterprises in terms of work performance is 0.548 marks only, from which people can see clearly that they have poorly displayed their work capabilities.

Second, their vocational morality is poor. Many people do not hold responsibility for their work, lack rudimentary standardized professional behavior, and even take advantage of the "resources" of their positions to seek improper interests. Furthermore, some units, trades, and groups are poor in their collective professional ethics, which has led to the malpractices in trades, trade monopoly, and unfair competition.

Third, a considerably large number of people take a passive and conservative attitude in social and economic

life. They lack active spirits for competition, exploration, and doing pioneering work; fail to keep pace with reform, opening up, and development; and cannot adapt themselves to the changes brought by the market economy. This is also a hindering factor to enterprise reform.

(2) The Causes of Relatively Poor Quality of Human Resources in China

1. The causes that have led to the poor quality of laborers in terms of capabilities can be summed up in the following aspects:

First, the input of educational expenditures has been inadequate. In China, there are many reasons for the inadequate input of educational expenditures. The three main bodies comprising state, enterprises, and individuals have no enthusiasm for making investment in education because there are no returns from the investment.

Second, the labor management models such as iron-clad bowls, big rice pots, and equalitarianism have made laborers lack motive force for competition, so they also lost motives and efforts for enhancing their own capabilities. Since reform and opening up, the difference between people's income has been widened, which is often connected with such factors as "luck," "relationship," and so on, so a situation of fair competition in which people win victory by their own capabilities has not genuinely taken shape.

Third, in China, the social status of people engaged in the technical type of work is low. For many years, "technical work" has not been much sought after, so that the quality of ordinary technical workers has declined universally.

2. The causes that have led to the poor moral quality of laborers can be summed up in the following aspects:

First, the far-reaching influence produced by the previous prolonged practice of the planned economic structure and, in particular, by the equalitarian distribution that still exists now.

Second, in the course of structural transformation and the changes of social living models, the ethical standards of the market economy have not been established, and the new moral pillar has not been found, so laborers have "no standards to go by."

Third, people feel repulsion at the previous "Left" erroneous thoughts so that it is difficult for positive education to play its part appropriately.

Fourth, in the social economic life, market mechanisms have not exercised their role in an effective and omnidirectional manner; people have not been extensively tempered by the market economy. They need a process to be adapted to the drastic social changes in the wake of the establishment of the market economy.

Fifth, the market economy has an innate character that favors efficiency. It is guided by personal economic interests, so pursuit of money is, in a certain sense, inevitable. However, for lack of adequate propaganda and education, the thoughts of money worship and extreme egoism have dilated.

Sixth, the unsound legal system, serious malpractices, and the corrupt tendencies of some leading cadres who have been divorced from the masses have displayed a bad demonstration effect on moral quality of the ordinary laborers.

III. Some Policy-Related Proposals for the Proper Solution of Problems Regarding Human Resources in China

(1) Development and Utilization of Human Resources Should Be Taken as a Basic Strategic Alternative

It is necessary to understand the special important position of human resources in China, and take the appropriate development and utilization of human resources as the country's most fundamental strategy. China is affluent in human resources in terms of quantity but is relatively deficient in material resources and funds. Taken either from the long-term perspective or from the current alternative of development, China can only take the road of developing and utilizing its human resources through the intensification and utilization of the "human being," letting human resources themselves open up job opportunities, and depending upon themselves to enhance their quality and social productivity, so as to make up for the deficiency in material resources and funds. Hence, it is necessary to include the production, development, allocation, and utilization of human re-

sources into the contents of the national economic and social development program and relevant policy decisions, so that the orderly social development will not omit the focal point of the "human being."

For this purpose, we must establish a certain system of analytical indices on the issue of human resources. In scientific research and management practice in China, the application of the analytical index system on human resources and pertinent social labor issues is relatively weak, so it urgently calls for a solution. This writer is of the opinion that the said index system should primarily contain the following aspects:

1. The human resources indices should chiefly include: 1) the quantity of human resources; 2) the structure of human resources; 3) the labor force industrial structure; 4) the quality of human resources; 5) the quantity of talent resources; 6) the quality of talent resources; 7) the utilization rate of human resources; 8) labor efficiency and social productivity of various industries; and so on.

2. The social labor indices should chiefly include: 1) the number of unemployed and the rate of unemployment; 2) the latent number of unemployed and rate of unemployment; 3) social income level and average salary level; 4) the differences in social income (the Gini coefficient in particular); 5) the number of low income and poor laborers and their families; 6) the coverage of laborers' social insurance; 7) the standard of itemized social insurance; 8) the incidence of labor disputes; 9) the rate of calling for labor dispute mediation and arbitration and the rate of solution; 10) the rate of strike; 11) the degree of laborers' satisfaction in work; 12) the degree of laborers' diligence in work; and so on.

(2) The Quality of Human Resources Should Be Enhanced From Multiple Aspects

1. We should seriously heed the investment in human resources and properly resolve the issue of human investment and its returns in concept, policy, and structure. The placement and returns of human investment should be fully reflected in the salary income of laborers, so that people will pay serious attention to such investment, education, and enhancement of quality.

2. We should substantially increase the input into educational undertakings. To this end, we should resolve the following issues: First, we should open broad avenues for financial resources, and vigorously absorb funds from multiple sources including enterprises, local communities, foreign investment, foundation funds, and so on. It is necessary to mobilize the initiative of various social sectors in running schools. Under the condition of strictly controlling the quality of education,

the state should allow various sources including enterprises, nongovernmental organizations, and individuals at home and abroad to run ordinary middle schools and secondary and tertiary educational institutions, but should control and examine the authority of running nonpublic schools and their rights of issuing diplomas. Enterprises should make investment in educating and training qualified personnel with a view to increasing their own economic results. Second, the state and local governments should substantially increase the financial expenditures on education so as to put an end once and for all to the situation of educational fund shortage. In this regard, guarantee should be made through legal procedures. Third, we should positively encourage individual investment in education on the basis of obtaining high returns from the funds so invested. Hence, it is necessary to make an adjustment to the policy of salary income in many ways.

3. Education and training should be intensified. On this issue, we should take firm control of the following two aspects: 1) We should strive to make vocational and technical education and training standardized, practical, and in good quality so that vocational and technical education and training will play a greater role in bringing up a large contingent of laborers. The development of vocational and technical education and training should be closely connected with the demands on professions in the labor market. It must have something to aim at and the issue of time limitation should be heeded. In particular, importance should be attached to the training of peasants coming to work in cities and urban surplus staff and workers who will be transferred to other occupations. 2) Attention should be paid to intensifying education among people with regard to society, creation, life, and adaptability to enhance the quality of laborers in a comprehensive manner.

4. Laborers' moral quality should be updated and enhanced. To this end, we should vigorously disseminate the knowledge of the market economy and strengthen education on the market economic moral concepts, education on developing the fine cultural tradition of the Chinese nation, and education on the situation. Meanwhile, attention should be paid to carrying out a series of tasks (such as the building of labor markets, the practice of the principle of distribution according to work, the institution of a modern enterprise system, and the implementation of the social security system), to arouse the work enthusiasm of the vast number of laborers, set up professional ethics and concepts, and foster the awareness of competition, innovation, and exploration, thereby considerably enhancing laborers' moral quality. Man's ideology is the reflection of social life. Therefore, we should expedite the establishment of the mar-

ket economy and the process of state enterprise transformation, accelerate the reform of labor and personnel system, and reinforce the building of legal system to create a fine social environment for enhancing laborers' moral quality.

5. A certain system should be instituted to guarantee the realization of the goal of "enhancing the quality of human resources." To this end, we should resolve the following problems:

First, instituting a statistical index system on the quality of human resources, and taking the main contents of it (including, in particular, the quantity and quality of education and training) as bases for appraising the political performance of local administrative leaderships, and incorporating it into the objective management responsibility system of the leading cadres.

Second, strictly carrying out the compulsory education system, strictly practicing the system of "working after training," conducting and fulfilling the task of eliminating illiteracy within this century, intensifying the on-the-job training system, and considering the possibility of practicing the "education and vacation system" under which laborers can enjoy a certain period of time for training, in order to genuinely enhance laborers' quality through the above measures.

Third, reforming the wage system by incorporating the human investment (human capital) into the wage system to effectively inspire laborers to consciously elevate their cultural and technical level, and in particular, to considerably encourage the professional and managerial personnel to enhance their qualities.

Fourth, formulating and perfecting laws and regulations on education, training, employment, and labor that are closely related to the quality of human resources, reinforcing laws and regulations against improper competition in the labor markets, and augmenting the building of social security system, so as to give impetus to and guarantee the conditions for enhancing the quality of human resources in the area of legal system.

(3) A Set of Mechanisms Should Be Established To Make the Best Use of Human Resources and Release the Initiative of People

As viewed from the angle of society, we should provide people with an environment for open and fair competition in which outstanding and diligent people are rewarded, lazy bones are punished, the backward are urged and encouraged, and the weak are helped and protected, in order to form a new value concept that suits the requirements of the market economy. On the basis of the new structure and new value concept, we should work out a set of new management regulations for labor,

personnel, and human resources to further ensure the best possible use of human resources.

In this connection, we should give full scope to the initiative of various personnel units in their management and development of human resources. The key task is to genuinely restore the decisionmaking power of enterprises and institutions in operation and management, especially their decisionmaking power in personnel management, and consciously conduct the activities of human resources management and development to produce internal demands, tap people's potentials, and make the best use of human resources.

(4) Several Major Problems Pertaining to Human Resources Should Be Properly Solved

Through deepgoing and systematic theoretical research as well as investigation and study on practical problems, we should formulate powerful policies to properly resolve several major and fundamental problems in human resources. These problems include, among other things, the principal outlets for the urban and rural labor force and the related problem of the development orientation of industrial structure; the realization of the objective for full employment in cities; the direction, scale, and speed of transferring rural labor force; the structure, direction, and scale of education and training; the specific alternatives of "effective and fair" practical social distributions; the institution of a legal system in respect of social labor, personnel, and human resources; and the establishment of the mechanisms in terms of production, input, and utilization of talent resources.

Finance & Banking

PRC: Zhu Rongji, Jiang Chunyun Address Rural Banking Conference

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[FBIS Translated Text] Beijing, 15 Jul (XINHUA) — Addressing a national conference on the reform of banking systems in rural areas recently, Zhu Rongji, CPC Central Committee Political Bureau Standing Committee member and vice premier of the State Council, stressed: Reforming banking systems in rural areas is of great importance in strengthening agriculture as the foundation of the national economy, promoting rural economic development, maintaining social and economic stability, and achieving the Ninth Five-Year Plan and the magnificent goal of economic and social development for the year 2010. Local governments and banking departments must act in accordance with the State Council's unified arrangements, strengthen leadership, meticulously organize the efforts, and actively but prudently carry out this reform.

The national conference on the reform of banking systems in rural areas was held in Beijing 13-14 July. The conference's main agenda was to study and plan rural banking systems reform to further promote an all-round development of the rural economy. Vice Premier Jiang Chunyun chaired the 14 July session.

Zhu Rongji pointed out: In launching an in-depth reform of the banking systems in rural areas, we aim at establishing and perfecting a financial service system based on cooperative banking and supported by commercial and policy-oriented banking institutions. He said: Rural financial credit cooperatives have made important contributions through their support of the rural economy. To keep up with rural economic development, it is necessary to take additional steps to intensify the reform of the management structure of rural credit cooperatives and transform them into true cooperative banking institutions which are democratically managed by members — who possess the institutions' shares — and which primarily serve members' needs. Toward this purpose, the Agricultural Bank of China will no longer exercise leadership or supervision over rural credit cooperatives. Instead, the county federation of credit cooperatives will be responsible for the operations of rural credit cooperatives, and the People's Bank of China will directly supervise and monitor banking operations of rural credit cooperatives. Agricultural banks and rural credit cooperatives will share the work and cooperate with each other on the basis of equality and mutual benefit to better serve the needs of rural economic development. Rural credit cooperatives must strengthen internal management, raise efficiency in the use of funds, and gradually restore and perfect their operational structure characterized by the masses' participation, democratic management, and flexible operations. Zhu Rongji pointed out: In 1994, we established the agricultural development bank, which took over the operations of policy procurement of grain, cotton, and edible oil from the agricultural bank. This reform, which has strengthened fund management, is correct. However, the reform has not attained the goal we anticipated. To further display the agricultural development bank's role as a banking institution for policy implementation, the State Council has decided to set up its branch offices according to the guidelines of streamlining, efficiency, and thrift. In areas where the agricultural development bank has no branch offices, the agriculture bank shall continue to do a good job of acting as its agent.

Speaking of the prospects of the Agricultural Bank of China, Zhu Rongji pointed out: The agricultural bank shall continue to bring into play its leading role in rural banking systems. It shall, in accordance with the reform requirement for commercial banks, work hard to explore

new ways to support rural economic development and explore the road to reform, development, and perfection. The people's bank and governments in various localities must show concern for and support the agricultural bank's reform and development.

Zhu Rongji called for further steps to rectify rural financial order. He said: We must, in accordance with the State Council's demands, clean up rural cooperative foundations and strengthen their supervision and control. We must firmly ban all kinds of private and underground money lenders.

Vice Premier Jiang Chunyun also spoke at the conference. He said: Leaders at all levels and all banking departments must achieve unity in understanding, earnestly implement the State Council's relevant decisions, earnestly strengthen leadership, closely cooperative with each other, and make a serious effort to formulate specific implementation plans. At the same time, it is necessary to provide good, prompt banking services for farming and not to affect the procurement of farm and sideline products and agricultural production.

State Council Deputy Secretary He Cunlin and Zhou Zhengqing; responsible comrades of the various provincial, regional, and municipal governments in charge of banking affairs; responsible comrades of the State Council departments concerned; and responsible comrades of the head office and branches of the People's Bank of China, the Agricultural Bank of China, and the Agricultural Development Bank attended the conference. During the conference, Dai Xianglong, president of the People's Bank of China, explained issues related to intensifying banking reforms in rural areas.

PRC: Beijing To Issue Second Tradable Treasury Bonds

*OW1707142496 Beijing XINHUA in English
1358 GMT 17 Jul 96*

[FBIS Transcribed Text] Beijing, July 17 (XINHUA) — A signing ceremony for primary dealers and securities institutions underwriting China's second batch of tradable treasury bonds for 1996 was held in Shenzhen today.

The bonds will be issued from August 6, according to a source with the Chinese Ministry of Finance.

They are valued at 30 billion yuan (about 3.6 billion US dollars) and can be traded on the securities market immediately after the issue is completed on August 26, the source said.

China has issued 160 billion yuan worth of bonds and plans to issue a total of 195.2 billion yuan worth this year.

PRC: Nation Becomes World's No. 2 Master Card User

*OW1707154996 Beijing XINHUA in English
1454 GMT 17 Jul 96*

[FBIS Transcribed Text] Shanghai, July 17 (XINHUA) — China has become the biggest master card market in Asia and second in the world after the United States, Warren Liu, China Regional Manager of Master Card International, said in Shanghai today.

Liu said he believes Chinese card holders will increase with the rapid development of the national economy.

Master Card was the first international charge card to enter the Chinese market in 1988. Liu noted that, out of some 300 million Master Cards issued by the international organization in 1995, Asia and the Pacific have 55.4 million card holders, and China, more than 10 million.

In 1995, the total volume of business done by Master Card in China was 53.65 billion U.S. Dollars, up 26 percent from the previous year, and accounting for 46.9 percent of the Asia-Pacific regional market.

At present, Master Cards are issued in China by the Bank of China, Construction Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, China Merchants Commercial Bank, and Guangdong Development Bank.

There are 144,000 department stores and shops that accept Master Cards and 260,000 automatic teller machines in China's major cities, and the card accounts for 70 percent of China's foreign credit card business.

Liu said that Master Card International opened an office in Beijing in 1988 and expects to open its second office in Shanghai within the year.

***PRC: Analysis of First Quarter Economic, Financial Situation**

*96CE0314A Beijing JINRONG SHIBAO in Chinese
21 Apr 96 p 4*

[Article by Shi Wenchao (2514 2429 2600) and Yao Keping (1202 0344 1627): "Analysis of First Quarter Economic, Financial Situation"]

[FBIS Translated Text]

I. Current Situation in Macroeconomic Operations

The overall situation in national economic operations is relatively stable. From January to March 1996, the total value added of the industrial sector at and above the township level was 422.2 billion yuan, up 13.6 percent over the same period in 1995, only 0.4 percent

lower than the 1995 annual growth rate if price rises are taken into consideration. Of the total growth, the growth rate of state-owned and state-held enterprises rose 7.1 percent, and these of collective enterprises and industrial enterprises of other types increased by 17.6 percent and 15.7 percent respectively. As far as the total industrial output value was concerned, the difference between the state-owned industry and the entire industry was 10 percent, slightly larger than that in 1995. The growth rate of heavy industry was somewhat higher and basically the same as the light industry. The growth rate of domestic demands continued to decline. 1) Demands for more investment seemed to be on the decline. Due to the fact that the state continued to exercise its macrocontrol over the total volume and the structure of investment, the growth rate of the fixed assets investment made by state-owned units in January and February was merely 7 percent. However, the investment in basic industries and basic infrastructural facilities registered a relatively higher growth rate in the first two months this year due to the optimization of the fixed assets investment structure. Since the beginning of March, the investment growth rate began to rise following the implementation of the investment plan and the arrival of investment funds in the banks. According to a preliminary survey made by the Statistics Bureau, the growth rate of investment in fixed assets for the first quarter was expected to reach 16.2 percent, a rise of 9.2 percent over that in the previous two months. 2) The demands for consumer goods showed a steady growth. This was because of the fact that demand for consumer goods had become more diversified, and the gap of people's income had gradually become wider and wider. There were no new hot spots for consumer goods. The demands for Chinese products from foreign countries had gradually weakened, and there seemed to be a trade deficit. Under the influence of the reduction of the export tax refund rates and due to the fact that tax refunds for export products may not be reimbursed to the export enterprise on time, the value of exports from January to March this year totaled \$28.25 billion, down 8.7 percent, while that of imports totaled \$29.4 billion, a rise of 25.2 percent over the same period last year. However, due to the fact that the state will lower the tariff and import taxes from 1 April, importers may possibly postpone their March imports. The volume of imports for that month may slightly drop. There was a trade deficit of \$1.23 billion in December 1995. The trade deficit for the first quarter of this year reached \$1.15 billion. The state foreign exchange reserve continued to increase, while the renminbi was slightly devaluated. The momentum in the growth of foreign exchange reserve is gradually decreasing. Meanwhile, there was a trend of renminbi devaluation. The renminbi exchange rate was 8.3339

yuan to \$1.00 at the end of March, a devaluation of 0.15 percent as compared with 8.3211 yuan at the end of February. Inflation was under effective control, and there is a trend of declining market prices. In despite of a seasonal factor during the Spring Festival in February, the market prices for the first quarter of this year was well under control. The retail prices for January, February and March rose by 7.6 percent, 7.7 percent and 7.7 percent respectively over the same period last year, while resident consumer prices increased by 9 percent, 9.3 percent and 9.8 percent respectively. The control of inflation could be attributed to the weakening domestic consumer demands and the gradually declining demands for exports. This also showed that residents may expect a further drop of the inflation rate.

II. Characteristics of First Quarter Financial Operations

The basic feature of the monetary and credit operations during the first quarter was that the state banks issued relatively more credits and loans. The growth of narrow money further dropped, and that of broad money rose once again.

State banks issued relatively more loans. During the first quarter, financial institutions issued more than 140 billion yuan worth of loans of all forms, a growth of 22.3 percent. If seasonal factors are not taken into consideration, there was a trend of gradual growth for the first three months this year. The growth rate for the first quarter is equivalent to an annual growth rate of 21.8 percent. There was an adequate growth in basic currency. During the first quarter, the amount of basic currency issued by the central bank rose by more than 40 billion yuan over the same period last year. The basic currency at the end of the first quarter was increased by 22.5 percent as compared with the same period last year. Right now, various financial institutions have relatively more money. The rate of provision for payments in commercial banks was 9.2 percent at the end of March. The growth of narrow money declined, while the growth of broad money rose once again. More loans were issued and the basic currency rapidly grew, but contrary to one might suppose, the growth of narrow money (M_1) had further declined. M_1 grew by 13.7 percent or a drop of 3.1 percent over the same period in 1995. This growth rate was relatively lower. The growth of broad money rose once again. The growth rates of broad money in January, February, and March were 25 percent, 27.1 percent, and 28.3 percent respectively. The growth rate of broad money M_2 at the end of March dropped by 1.2 percent over the end of 1995. However, the actual growth rate was relatively high, if we take into consideration the fact that the growth rate in the

same period last year had reached 35.9 percent. The situation in cash flow back in circulation was normal in general. At the end of the first quarter, the reflux rate of the currency issued before the Spring Festival was 89 percent. As compared with the cash flow back situation after the Spring Festival in the past several years, the speed of the cash reflux was slightly slow this year. All the currency issued before the festival was expected to return in mid-April. In general, the situation of cash reflux remained normal.

III. Problems in Economic, Financial Operations

1. The enterprises' performance in management was not very good. The use of funds was irrational. The amount of finished products further increased. The amount of mutual arrearage continued to grow. The cycle of national economy was abnormal. The balance sheet published in February by the Survey and Statistics Department of the People's Bank of China on 5,000 industrial enterprises showed that the amount of circulating assets at the end of February increased by 16.567 billion yuan, and the amount of circulating liabilities rose by 24.587 billion yuan over that in the beginning of the year. The growth of circulating assets was 8 billion yuan less than that of circulating liabilities. The amount of short-term loans to these enterprises grew by 10.776 billion yuan over that in the beginning of the year, but the increment for the same period in last year was only 6.252 billion yuan. All this indicated that the loan investment of the banks was duly increasing. The additional loans were mainly used in the following manner: First, the inventory of these enterprises rose. The inventory at the end of February rose by 10.198 billion yuan over that in the beginning of this year, while the increment in the same period last year was only 3.327 billion yuan. Second, the enterprises made more long-term investment. The amount of their long-term investment at the end of February rose by 4.879 billion yuan over that in the beginning of this year, while the increment in the same period last year was only 1.616 billion yuan. This showed that the use of funds was inefficient and irrational in various enterprises.

The situation of mutual arrearage among enterprises has not improved. According to a survey conducted by the Survey and Statistics Department of the People's Bank of China over 1,000 large enterprises, 1,241 enterprises had delinquent accounts totaling 158.3 billion yuan in mid-March, 42.8 percent of the total account receivable and with each enterprise suffering from an arrearage of 127 million yuan in average. With their accounts payable equal to their accounts receivable, these 1,271 enterprises should have a net balance of 105 billion yuan receivable. The situation shows that many enterprises

failed to pay large state-owned backbone enterprises on time. The 15th business survey on 5,000 industrial enterprises also showed that 42 percent of the enterprises found it difficult to collect payments due.

2. Enterprises' joys and sorrows are unequal in terms of funding. This has aggravated the financial strain. The tight financial and money policy created a wide gap in money supplies among different enterprises. In accordance with the aforementioned survey conducted by the People's Bank of China on 1,000 large enterprises, the coefficient of the possession of monetary funds which reflected the funds held by 1,248 enterprises was 9 percent in December 1995, which was much greater than the average 6.5 percent for 35,000 industrial enterprises within the state plan. In general, money was not in short supply in various enterprises. However, replies for a questionnaire on business prospects for the first quarter sent to 5,000 enterprises showed that 74.67 percent of the enterprises were short of money. Among the 1,000 enterprises, 1 percent of them held more than one-third of the monetary funds.

3. Regional investment structure awaited further improvement. Investment in the western area of the country decreased in January and February with its share in the whole country dropping. The total amount of completed investment in nine western regions declined by 3.5 percent, and its proportion in the total fixed assets investment dropped from 12.6 percent in the same period last year to 11.3 percent. For a longer period of time from now on, the development in central and western areas would be of great significance in bringing about the steady and coordinated development of the overall economy. It is necessary to adopt all kinds of economic means to encourage coastal economically well-developed areas to make investment in central and western areas of the country, transfer some well-developed technologies, make full use of the relatively lower cost of labor and the abundant resources in the economically backward areas to fundamentally change the backward outlook in central and western areas, and duly reduce their financial burden.

4. The share of state revenue was relatively low in the GDP, and the capability of the state in controlling the economy is fairly weak. The state revenues in 1994 and 1995 came to 290.65 billion yuan and 384.513 billion yuan respectively or 6.46 percent and 6.66 percent of the GDP. The deficit in the central budget in 1995 stood at 66.442 billion yuan, exceeding the budgeted deficit by 4.3 billion yuan. Due to the current situation in state revenues and expenditures, the state financial policy was unable to perform its functions in adjusting the economic structure. This made the central bank difficult to implement its monetary policy.

5. The prospects in exports are not so good. Due to the fact that the state had twice lowered the rate of tax refunds for export products on 1 July 1995 and 1 January 1996, it is impossible for enterprises engaged in foreign trade to fundamentally improve their management within a short period, and in addition, they have little room to reduce their internal production cost. The percentage of technology-intensive products for export is not so high, and there is little chance to raise the price of our export products abroad. Also, the export cost in terms of foreign exchange (equivalent to the actual effective rate of exchange) in some areas remains high, and exceeds the nominal renminbi rate of exchange. All these factors have caused the profits of the exporters to drop, and dampened their enthusiasm to do export business. According to statistics compiled by a relevant department, the volume of exports from 1 January to 20 March declined, and orders for imports increased as compared with the same period last year. Judging from developments in the whole year, we may witness a trade deficit of a certain amount. Judging from the market situation, we believe that the foreign exchange resources may become strained. The growth of China's reserve in foreign exchange will slow down, and the renminbi may be gradually devaluated on a small scale.

6. Loans from state banks grew rapidly. The major problems in the financial operation were strong growth of broad money and slow currency flow. It was rather difficult to control the scale of credit growth within the state plan at the beginning of the year. The quality of assets in the financial system remained low, while the efficiency in business management was weakening. The potential risk was high. The macrocontrol policy for the first quarter was aimed at accelerating the currency flow and solving contradictions in the economy by increasing loans. Seasonally adjusted figures showed that the seasonal chain relative ratio for loans issued by state banks amounted to an annual growth rate of 26.3 percent, which had exceeded the planned control target of 9.2 percent. In addition, loans issued by other financial institutions, investment on all forms of securities made by these institutions, and the purchase of foreign exchange by the central bank all contributed to the continuous growth of broad money. The pressure from inflation was increasing, and the amount of bad bank assets growing. However, the money from the bank became enterprises' current deposits which later become enterprises' term deposits and savings deposits by urban and rural residents. It was hard to completely solve the problem of money shortage in enterprises. Right now, the narrow money accounts for 37 percent of the broad money. That figure in March 1994 and 1995 were 44.4 percent and 41.8 percent. If price

rises (wholesale) were taken into consideration, the actual growth of M_1 in March was approximately 8 percent. This showed that the gap between M_2 and M_1 growth had further widened. The problem in current economic operations is the sluggish flow of social funds (capital). More loans would only ameliorate the imbalance between supply and demand, but the price paid for this was high.

IV. Proposal for Current Macroeconomic Policy

Right now, the price level has become stable. The monthly contemporaneous retail price growth rate is 7.7 percent at present. The monthly contemporaneous growth rate of the wholesale price index announced by the Survey and Statistics Department of the People's Bank of China is 4.5 percent. If changes in the past six months are taken into consideration, this index amounts to an annual growth rate of approximately 3 percent. Investment in fixed assets is placed under effective control. The market of consumer goods remains stable and prosperous. The slightly tight financial and money policies have yielded good results. In dealing with the problems which we have in our economic and financial operations, we may adopt the following countermeasures:

1. We must rigorously control the monetary policy in terms of total supply and demand, and place emphasis on structural readjustment. It is necessary to work out in a timely manner an interest rate countermeasure. The current interest rates are relatively high as compared with either the average profit or the real interest rate (nominal interest rate minus the expected rate of inflation). We must observe the results after we stop implementing the measures on inflation-proof savings.
2. We must promote managed direct financing in order to turn some latent currencies into actual money (M_1); and improve the inventory structure of currency. However, in promoting direct financing, we must take into consideration the structural changes in China in order to avoid any financial chaos.
3. We must try hard to coordinate with other macroeconomic policies. On the basis of the current economic situation, we may step up our efforts to readjust the structure in coordination with the "shift of the mode of economic growth"; strengthen basic industries; proceed from our needs to begin straightening out economic relations; increase investment in developing key facilities; and promote reform, restructuring and transformation to give impetus to the development of relevant industries such as one in the manufacture of equipment. We must stimulate money flow, and solve the problem of sluggish flow of social funds, but we should avoid making investment on impulse, and guard against another ultra-

high speed economic growth. Under the current situation, we must avoid the dispersed use of funds, and adequately pool our funds to facilitate a smooth and steady economic operation. This calls for strong financial and industrial policies.

***PRC: Gray Area of Financing Analyzed**

96CE0281A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese 11 Mar 96 No 3, pp 40-46

[Article by Zhang Xiaohu (4545 2556 5706), affiliated with the Shenzhen Representative Office of the Bi Mawei (3968 7456 1218) [Beamway] Accounting Company: "On China's Current Gray Financing"]

[FBIS Translated Text] China's underground financing can be divided into two areas: 1) Gray financing, or

financing that seems legislatively incompatible under our current system but is suited to our market economy development needs; 2) Black financing, or financing that is incompatible with current legislative regulations and is unsuited to the needs of developing a market economy. This article will probe into our gray area of financing.

China's Gray Financing Status Quo

Based on China's underground financing realities and current system of legislation, through comparing our gray and black areas of financing, we can succinctly distinguish China's gray financing area as in the following table:

China's Gray Financing Status		
Current Areas	Gray Financing	Black Financing
Private Loan Market	Native Banks Such as Private Banking Associations, Personal Credit Intermediaries, and Private Joint-Stock Credit Agencies	Such as Consumer High-Interest Loans, Public Funds Loaned at High Interest, Profiteering Association Fraud, Underground Banking Fraud, and Fraudulent Bank Loans Reloaned at High Interest
Foreign Exchange Market	Such as Secret Transactions of Private Foreign Exchange	Such as Fraudulent Exchange Scalping, Arbitrage of Exchange, and Evade Foreign Exchange
Bond Market	Private Treasury Bill Transactions and Unauthorized Enterprise Bond Issuing	Fraudulent Fundraising Through Bond Issuing and Garbage Bonds
Gold Market	Such as the Self-Minted Gold Transaction Market, Private Transactions, and the Gold Jewelry Market Without Operating Authority	Colluding With Foreign Criminals To Smuggle Gold, Defrauding Through Fake Gold Products, and Stealing and Secretly Mining Gold
Stock Market	Unauthorized Enterprise Issue of Internal Shares for Matters Such as Credit Transactions, Over the Counter Trading, and Stock Futures Indexing	Such as Misappropriating Public Funds, Share Scalping, Using Loans to Scalp Shares, Crime by Securities Personnel, Joint Manipulation by Large Shareholders, and Insider Trading
Futures Market	Treasury Bond Futures Trading in Categories Where There Is Objectively Established Need in Line With National Conditions But Not Yet Approval by the Securities Oversight Committee	Secret Futures Trading
Capital [Interbank] Loan Market	Such as Lending That Is Out of Line With Current Legislation, Financing Through Credit, and Floating Interest Rates	Such as Loan Rebates, Sharing Profits With Enterprise Loan Recipients Through IOU's, Green Clause [Credit], Forcing Down Exchange, and Forcing Down Original [Value]

Current Areas	Gray Financing	Black Financing
Bank Operation Business	Such as Consumer Credit, Renminbi Business by FIE Banks, and Bank-Run Securities	Laundering Syndicate Money
Financial Creations	Financial Derivatives Such as Variable Interest Rate Loans, Currency Swap and Interest Rate Swap (Fungibility), Currency Future Options, and Foreign Exchange Funds	Financing Forms in Which Contract Substance Is Unclear, Prices Are Suspected of Being Manipulated, or There Is the Possibility of Credit Data Being Monopolized
Nonbank Financing	Such as Venture Investment Companies, Credit Security Companies, Credit Card Companies, and Discount Companies	Gambling

Comparing gray financing in China with that abroad shows: As developed nations have established integrated commercial banking systems with sound money markets and complete legal systems, they have very little gray financing, with what there is being concentrated mostly in bank operation business, financial creations, and nonbank financing. Their gray financing is due on one hand to their financing having developed faster than their legal systems, and on the other to their responsible financial agencies or central banks having taken a cautious stance toward financial creations in the interests of sound financial development. But as developing countries have less monetarized national economies, their dual economic structure of relatively developed cities coexisting with still very backward rural areas gives them a dual financial structure of a better adapted modern financial sector coexisting with a traditional one. Without developed money markets or perfected legislation and policy, their governments lack the effective means and capability of managing their economies, meaning that to keep their economies growing steadily and protect their national interests, they have to practice overall control of financing, which leaves rising financing in a gray area. China is a developing country with very similar conditions to many other developing countries. Meanwhile, as China had practiced a planned economy for four-plus decades after the founding of the PRC, while we achieved many successes, we also created a host of reform obstacles in many areas, leaving us with certain innate flaws. So the all-out clash between a market and a planned economy, all the way from guiding ideology to specific action, has left China's gray financing with more complex causes and more diverse forms.

The Deeper Causes of Our Gray Financing

I. Existing Financial Control

Why do we have to continue to control financing? There are mainly three reasons: 1) As finance is the field with

the broadest and largest impact on our national economy, abandoning control of financing could threaten our overall national economic operations. The problem is that in China's conversion from the old to the new systems, it is very hard for our government to distinguish financial management from financial control. 2) Our state enterprise plight and dependence on government makes it impossible for our government to abandon financial control, as that would mean bankruptcy for many losing enterprises and unemployment for many workers. 3) China's longstanding financial control, mainly control of interest rates, has created a gap between planned and market interest rates, which gap has created a vested interest group. As they have been getting loans at prices far below market capital costs, they strongly hope that financial control is maintained to preserve their favorable situation. And this gap is also precisely the major grounds for China's recent years of gray financing, financial corruption, and concession-seeking.

(1) How Gray Financing Is Caused by Whoever Controls the Operation of Money Markets Being in Control of the Major Money Market Players

1. As China's state banks have not yet become independent commercial banks, they cannot operate according to the three principles of security, liquidity, and profitability. 1) Our banks cannot make independent decisions on lending directions and loan amounts. While profits are the key determining factor in lending for commercial banks, it is often policy and administrative directives [executive orders] that determine lending directions and loan amounts in China. Due to the authorities getting incomplete information or finding it hard to consider all interests, or to a host of manmade factors, the lending directions and loan amounts ordered by the authorities are inconsistent with lending directions and loan amounts determined by the profit principle. That means that there are dual financing targets, or market-set and manmade, which quite naturally leads to two gray financing phenomena. In consideration of their

own profitmaking, banks provide unauthorized beyond-quota loans to enterprises with good efficiency, prestige, and connections, which enterprises relend such loans for "unfair gains." 2) Our banks cannot make independent decisions on lending interest rates. The difference between deposit and loan interest rates is the grounds for bank profitability. Businesslike banks determine and adjust their deposit and loan interest rates mainly according to their own deposit sources and loan demand, setting them at the point of balance where capital supply and demand are equal. But Chinese bank interest rates are uniformly set and adjusted by the center, which fixed interest rates cannot achieve a balance of capital supply with demand, so are very unscientific. To keep their enormous amount of individual deposits stable and unaffected by the market, banks set very high deposit interest rates, which saddles them with a heavy interest burden, while the fear of too high borrowing costs leaves many enterprises unable to survive without low loan interest rates. So with bank profitmaking forces undermined by the immediate interest rate system, banks can survive only by violating the pertinent regulations, lending at high interest rates or to enterprises beyond their lending limits. 3) Our banks cannot make independent decisions in appointing officers. While commercial banks can appoint with full independence their most needed talent as officers at all levels, Chinese bank officials are appointed simultaneously by their higher-level branches and administrative officials at the same level, so are liable to both parties. Local governments can even suggest that local special bank higher branches or head offices change local bank leading officials. Higher-level branches require strict credit, while administrative officials are bound to exert influence on banks in local interests. So we see things such as "senior official items," for which lending terms are eased and loan recovery terms are extended, which is also gray financing. And while that plays a promotional role for the local economy, it makes credit planning enforcement more flexible overall, exceeding the limits in putting money into circulation, and making the dual financing targets even more prevalent.

2. Our money market is in a monopoly state. The economy's diverse financing demand conflicts with China's existing financial monopoly. In China at present, many banks allow diverse ownership forms to coexist, while our government still prohibits the existence of private banks and certain categories of financial institutions in our financing arena. Chinese banks are the key operators of China's monetary capital, holding a dual monopoly over borrowers and lenders. Percentagewise, China's four large special banks make up 95 percent of our whole business network, accounting for 82 percent of our gross assets, doing 75 percent of our overall deposit

and loan business, and receiving over 90 percent of our central bank's low-interest loans. (Footnote 1) (He Dexu [0149 1795 2485], "Key Financial Reform Goals," JIN-RONG SHIBAO, 2 November 1993.) The flaws of this financial monopoly are: 1) The financial monopoly hinders normal financing competition, being adverse to the formation of an equilibrium rate of interest, while causing banking inefficiency and poor service. 2) As state banks have so many branches that are not supported by all parties in China, their all-encompassing business leaves commercial banks and nonbank financial institutions in a disadvantageous competitive position, which sharply restricts their growth. 3) The state bank financial monopoly is also seen in the lending restrictions on the nonstate economy. The data show that less than one-fourth of the credit capital of China's increased yearly lending goes to the nonstate economy that accounts for over one-half of our gross output value. (Footnote 2) (Lu Xianxiang [4151 3807 4382], "China's Unofficial Financing and Our Financial Control," ZHONGNAN CAIJING DAXUE XUEBAO, January 1995.) This is bound to cause gray financing to acquire the needed capital.

(2) State Control Over Money Market Operations Is Control Over Money Market Targets

China's money market cannot meet our real needs since it lacks all sorts of financing tools and means. Our rapid market economy development has also raised the public financial awareness, leaving individuals no longer satisfied with depositing surplus money in banks to draw interest, and enterprises no longer satisfied with being solely dependent on product sales to make profits. But while they hope also to be able to avoid the various market risks, our financial control means that we have few and dull financial commodities with a low rate of dissemination. In addition, due to many limiting factors such as blocked investment channels, our objectively diverse needs are not met, with our common people having neither the financial might to invest or the energy and learning to handle various financial [monetary] commodities. So we have seen a steady rise of private credit intermediaries, secret fundraising, illegal funds, stock black markets, and secret property transactions. And as enterprises cannot eliminate the risks of long-term raw material price rises or product price declines, needing capital urgently but being unable to borrow it, secret futures trading, illegal relending of enterprise loans, issues of internal shares, and inside secret fundraising are growing ever more common. So the restrictions on money market targets produce gray financing.

(3) Any Control of Operations Is Control of Specific Money Market Operations

1. The restrictions on financial commodity prices create dual prices for financial commodities. With 95 percent of China's commodity prices now deregulated, being determined completely by market supply and demand, market prices are equilibrium prices. But with China's financial commodity prices remaining nearly all state set, such artificial prices might be grounded on full research of much data, but still can hardly avoid being out of line with market realities. Meanwhile, the Chinese Government's central bank still has very little expertise in this area, as well as no scientific price-setting mechanism. Our financial control causes the dual existence of planned prices and market equilibrium prices, with the huge gap between them being precisely the material grounds for gray financing. For instance, while Chinese bank working capital loans have an upper limit of 12 percent [interest rate], 1994's 21.9 percent inflation meant that they were really sharply negative interest rates. But our 1994 capital black market interest rates in southern China were 25-30 percent, or really +3 percent to +8 percent, equal to international market interest rates. (Footnote 3) (TOUZI DAOBAO's CAIYUAN ZHOUKAN, No 1, 4 March 1995.) With such an amazing gap to be exploited, it is no wonder that many state enterprises relend their loans to other enterprises for profit or that banks violate call loan regulations. While China carried out in 1994 a significant foreign exchange reform, merging our exchange rates to an exchange sales and settlement system with marked success, China is still actually practicing a half-fixed, half-floating exchange rate system. Our exchange rates can float only within a limited range to preserve exchange rate stability, for which the central bank paid the price in 1994 of having to issue tens of billions of extra renminbi. With our exchange list prices still hardly reflecting the real prices at market supply and demand, the gap still makes gray financing profitable.

2. We control the service targets and forms of financial enterprises. China has an ownership structure of mostly public ownership in which diverse economic components coexist. But in reality, our nondominant economy finds either that it is very hard under current rules and regulations to obtain needed capital from banks, or that the costs attached to such loans are too high. So with no way to get loans, underground private banks and associations have emerged, along with the private lending of public funds. The regulations on financial business service forms are the objective cause of the rigid operating system of China's financial businesses. Taking banks for instance, except for eight hours of work a day, they provide no other financial services, leaving gray financing to fill the gap and supplement the inadequacy.

II. Too Much Administrative and Fiscal Interference

1. China's central bank is not independent. Up until most recently, economic development had always been the primary and only objective of China's monetary policy. When conflict arose between currency stability and economic development, the central bank had to sacrifice monetary stability to the government objective of economic development. And while it has started to use operating tools such as open market operations, the rediscount rate, and the money supply, the People's Bank of China does not yet have enough expertise to regulate and control money market and all banking activity. While the "People's Bank of China Banking Law" went into formal effect on 18 March 1995, the pertinent regulations of that law leave currency stability still in fact not an equal goal with economic development. People's Bank of China decisions on the year's money supply, interest rates, and exchange rates must be submitted for approval to the State Council (with the State Council being the final arbiter of the year's money supply and interest and exchange rates, all targets are very likely to be out of line with money market realities, leaving room for the existence of gray financing). The People's Bank of China vice presidents are appointed and removed by the Premier. With the Monetary Policy Commission being under State Council leadership, the People's Bank of China is liable first to the government, and only then to the National People's Congress. So the People's Bank of China is still not independent.

2. There is too much fiscal power. And that has improved sharply, with recent data showing that the rate of increased currency issue due to fiscal overdrafts on the central bank is down to 8.7 percent. (Footnote 4) (Zhou Yi [0719 0001], "Monetary Policy Marketization Remains the General Trend," ZHENGQUAN SHIBAO, 4 November 1995.) But it remains one of the causes of gray financing. Chinese banks were once fiscal bookkeepers and cashiers. Fiscal deficits meant borrowing from the central bank to make them up, while spending plans were represented in credit balance plans. Once receivable fiscal [tax revenue] funds were not received per plan or spending exceeded the budget, the real gap between deposits and loans was bound to be widened. And while treasury bills could be issued to make up deficits, they are limited in volume, and used mainly for priority construction. In addition, as treasury bill capital is limited by maturity date, the central bank is forced to increase the money supply to assume the passed on burden. With the money supply exceeding real needs to touch off inflation, market interest rates rise, exchange rates fall, and the gap between the two financial targets widens, causing gray financing.

III. Lags in Policy Formulation and Legislation

1. China's imperfect legal system is a longstanding problem. Laws divorced from realities, with outdated laws hampering economic development, or new economic phenomena emerging and running their course without legal oversight, all create gray financing. And laws that are not observed, with lax law enforcement, is also a cause of gray financing.

2. Without scientific policymaking forces, many policies are drawn up irrationally or without foresight. 1) Policy and legislation often conflict, leaving great loopholes for gray financing. For instance, we do not allow foreign capital to be invested directly in our A-share market, but have not yet restricted FIE [expansion unknown] access to the A-share market. 2) Policies proceed from too many areas, leaving no sure course to follow. For instance, our stock market has a host of "departments in charge" such as the State Council, the Securities Oversight Commission, the People's Bank of China, the Ministry of Finance, the State Administration of State Property, and the Industrial and Commercial [Business] Administration Organization. 3) Policy entrusts banks with too much power, lacking effective restraint forces. With Chinese banks now quite generally forcing down exchange rates and instruments, it is a case of enterprises asking banks for loans, not banks providing lending service to enterprises. With the relationship between the service provider and the service recipient so inverted, cash exchange and a capital black market are precise adaptations. 4) Policy varies too much, leaving one not knowing what to do, or providing loopholes that can be exploited. So gray financing can be said, in a certain sense, to be a consequence.

China's Gray Market Evolution

Gray financing has two major features: 1) It is financing in line with objective economic development needs; 2) It is covert or nonpublic because it is not covered or prohibited by the current legislative system. In light of these features, gray financing has evolved in a particularly unique way, with its substance growing or declining in line with policy change and varying economic conditions, to be in a state of constant flux. The changing objective climate means that gray financing can either come to the surface to become legitimate financing, go back underground, lie low when strictly banned, or wither away naturally. But one point is constant, or that gray financing exists objectively, evolving new forms steadily, with its vitality and diversity originating in objective economic need, expressing the conflict between the productive forces and production relations.

As China's gray financing is complex and diverse, its evolution is also characterized by diversity. It has essentially three evolutionary patterns: 1) It emerges

privately or is used in financing, gradually developing an environment, growing soundly, and helping the economy, so that the government tacitly consents to it and draws up policies to legitimize it. 2) While it exists objectively, its good and bad are intermingled, making it hard to control, so that the government opposes or holds that the time is not ripe for it, consequently restricting or banning it; or it is considered an experimental financial step and, when the reform pace slows, goes back underground. 3) Due to policy or legislative change, its objective terms change so it loses its terms for existence to wither away. Of course, the last two patterns can be held to be a capricious stage of gray financing evolution, resulting ultimately in either legitimization or withering away.

So let us take a look at the real evolution of gray financing since reform and opening. In 1980, the state provided that banks would start to make special-purpose medium- and short-term loans to the light textile industry, as well as special-purpose loans for railways, communications, and metallurgy. Subsequently, industrial and commercial credit started to break out of its restricted zone where it was limited to working capital and could not take part in state asset regulation. Some medium- and short-term equipment and technology upgrading loans granted by banks moved from illegal to legitimate. In 1982, Hong Kong's Nanyang Commercial Bank set up China's first wholly foreign-owned bank in Shenzhen. In 1984, the PRC's first stock — "Feiyue Yinxing [Acoustics]" — was issued successfully. In 1986, Chengdu's Huitong Urban Cooperative Bank was founded, serving mostly the private economy. The participating shares of the ICBC and PCB's Wuhan branches and the People's Insurance Company of China (PICC)'s Wuhan branch in Wuhan's Bazaar Joint-Stock Company Group marked the start of financial capital joining up with industrial capital. In 1988, the PRC's first pawnshop appeared in Chengdu, resuming the ancient pawnshop tradition. In 1990, the Shanghai Stock Exchange was founded, becoming the embryo of China's stock market. The Zhengzhou Grain Wholesale Market opened, being the predecessor to the Zhengzhou Commodity Exchange. And futures were finally recognized in China. In 1994, the renminbi exchange rates were merged, with the first exchange trading center being set up in Shanghai, making the renminbi more convertible. It needs to be noted that special economic zone's and coastal open cities, in some decade-plus of reform, had broken out of many formerly prohibited areas, clarifying many forbidden zones and exploring many blind areas, to play a role as reform testing grounds. Taking Shenzhen for instance, the now national practices in the financial industry of banking service overlapping and financial derivatives all devel-

oped through Shenzhen's breakthrough reforms. These are all examples of evolution in the first pattern.

The rising foreign exchange scalping and commodity and financial futures of some years ago arose all at once due to legislative gaps in all areas. But they were chaotic, with signs of participation by domestic and foreign criminals. Meanwhile, due to domestic participants lacking experience so losing their capital, as well as a host of reasons such as the sharp foreign exchange drain, the state was forced to order them strictly controlled to keep them from having a bad impact on our economy. Starting in the last half of 1984, either local governments or the business administration sector in the Wenzhou region approved the nominal business of four wholly-owned or joint-venture [old-style Chinese] private banks, the most famous of which was the "Fangxing [Rising] Private Bank" in Qiankuzhen, Cangnan County. And while these four private banks handled private credit, with reasonable interest rates and good service, playing a certain promotional role in local commodity production and circulation, they were involved in so many underground banking frauds that shocked the whole nation, so that the state strictly banned the industry. With the "Interim Regulations on Banking Management" promulgated by the State Council in 1986 prohibiting individuals from setting up banks or other financial institutions, or from operating financial services, these four private banks were not approved by the People's Bank of China and were finally outlawed. In 1995, a series of malicious futures securities market violations occurred, typified by the "27 March incident." Large and small organizations gambled state assets in wild speculation, "earning profits for all at state expense," to obviate the good role of the bond futures market on the economy, resulting in the Securities Oversight Commission deciding to temporarily suspend the bond futures market, which became a "warning lesson" for other futures securities markets. This was the second evolutionary pattern.

The third evolutionary pattern has less examples, with the most typical being the foreign exchange black market. Before our exchange rates were merged, our real dual exchange rate system caused rampant exchange smuggling and scalping. But since our exchange rates were merged, consolidating our official exchange rate with market prices and, as the state took many steps to convenience enterprise and individual exchange usage and purchase, as well as easing certain previous restrictions, our exchange black market has nearly vanished.

As our market economy has been being established and improved, many measures and methods in line with market economy laws and promoting China's financial development have been put into effect. For

instance, the state has approved experimental renminbi service to enterprises by FIE banks in Shanghai and Guangzhou, allowing the Pudong area to go first, by setting up China's first private joint-stock bank — the Minsheng [People's Livelihood] Bank. Our legislation and policy formulation have also shown adaptation and foresight. A large group of economic legislation such as the "Securities Law," the "Security Law," the "Trust Law," and the "Futures Law" are now in full formulation. And the "People's Bank of China Law," the "Commercial Banking Law," the "Insurance Law," and the "Instruments Law" have or are about to go into effect. As a market economy is one that is ruled by law, the legal system is first expressed in the field of finance. The People's Bank of China status as our money market leader and overseer has been established. There are no longer fiscal overdrafts on our central bank, with policy services being gradually transferred to our three policy banks, and our four large special banks commercializing faster. It can be predicted that reform intensification, market improvement, and democratic legal soundness will certainly speed up our gray financing conversion [to legitimacy]. So gray financing openness, legitimacy, and transparency are just a matter of time and conditions.

Our private loan market shows our gray financing evolution in detail. Concerned parties estimate that private loan capital throughout China was at least 30-50 billion yuan in 1994, increasing to 70-100 billion yuan by 1995. (Footnote 5) (Ma Jianhua [7456 1696 5478], "China's Private 'Gray Loans'," JIAODIAN October 1995.) China's regular private credit is roughly in three categories: 1) Private intermediary or nonintermediary low-interest monetary capital loans. 2) Credit provided by private credit agencies such as associated pawnshops, private banks, and rising private joint-stock credit institutions. 3) Secret joint-stock groups, credit fundraising, and reciprocal lending needed for enterprise production operations. Except for what is allowed by the state, all of the rest is gray financing. It also needs to be noted that China's gray financing involves foreigners. Certain outside banks and even underground financial groups have started to get a foothold, especially those from Hong Kong and Taiwan.

China's private credit in gray financing form has been longstanding for many reasons. Individuals and households at the bottom to enterprises and regions at the top have all experienced temporary capital shortages at various times and places. On one hand, idle capital seeks appreciation channels but is limited by the paucity of financial instruments, while on the other, individual and private economic development and commodity production and circulation capital needs are not met for various reasons by state banks and credit cooperatives. In

short, as China's current financial and banking systems hardly meet the public's financing needs, gray financing has arisen to perform the function of meeting monetary needs beyond government control and restriction.

As the private loan market has fast fundraising, strong functions, broad channels, fast operations, flexible interest rates, and private roots, it has advantages that state banks and credit cooperatives cannot replace. So its existence and growing role cannot be suppressed. In light of this, the Supreme People's Court provided in Article 6 of its July 1991 "Suggestions on People's Court Trials of Loan Cases" that: Private loan interest rates can be reasonably higher than bank rates, with people's courts in all areas making specific provisions in line with local realities, while not letting interest rates be more than four times bank rates for the same category of loans. In a certain sense, that tacitly consents to the existence of private credit of a gray financing nature.

Since the 1980's, private credit pawnshops have gained an open and legitimate standing. While associated and private banks, joint stock fundraising, and credit fundraising arose for a time, they very quickly got out of control, so were eventually prohibited strictly by the state. This also shows the private credit weaknesses of being risky and lacking internal restraint forces. In forecasting China's private loan market prospects, due to its brisk private vitality and useful economic role, as our financial reform proceeds, the relevant oversight and control forces are established, and the terms become ripe, the state will gradually lift its ban, to ultimately form a diverse and multilevel financial system for China.

On Dealing With China's Current Gray Financing

China's current gray financing has several major features:

1. Gray financing is inevitable and necessary. Gray financing is an objective need when the economy develops to a certain stage, evolving naturally through practice. That is an objective law. On market economy terms, with all economic components demanding full development and the public's financial awareness also sharply higher, while some of our current regulations and customs are no longer suitable, even to the extent of hindering our economic development, when change becomes absolutely imperative, gray financing just has to emerge.
2. China's gray financing is reckless, lacking effective control and oversight. With gray financing in an embryonic stage and still very immature, profits are exploited with no concern for the negative effects of gray financing. That consequently distorts good motives and normal laws, playing disadvantages up and advantages

down, to undermine the sound development of rising financing. But on the other hand, our traditional concepts and current legislative system block the public's understanding of gray financing. As there has not yet been a public assessment of gray financing, it cannot be faced up to squarely. And as there has been no study or experimentation, there are naturally no effective means of oversight and control, leaving gray financing in a state of either mostly running its own course or being dealt with through planned economy means. When it is being cracked down on, gray financing lies low until the storm blows over, then resurfaces with greater momentum. This way of dealing with it is hardly effective, as well as being adverse to our economic development.

3. Gray financing is diverse and convertible. China's gray financing is particularly diverse, which feature per se means that it is convertible [to legitimacy].

4. China's gray financing is valuable with limitations. Its value is that: 1) It caters to objective economic development needs, meeting real individual and enterprise needs. Due to the development of their production operations, nonstate economic components need diverse financing channels to acquire the capital needed for expanding their scale and upgrading their production. And as individual needs are diverse, they can freely choose means of hedging their investments. Gray financing provides such means. 2) It corrects economic phenomena that are out of line with the times, making up the shortages of current mechanisms, and playing a leading reform and exploratory role, to speed up economic development. As fixed interest rates do not reflect market capital supply and demand or real lending costs, they create excessive capital demand and use inefficiency. So underground capital black market lending at market interest rates eliminates the state interest rates flaw. While state banks have a financial monopoly without competition, making it impossible for them to take the initiative to improve their service, a more diverse banking system that uses capital more efficiently can better solve such problems. Gray financing provides practice and reference in this area. 3) It enriches and develops China's finance, keeping close ties between financing and our whole society. As gray financing fills up the gaps in China's public financing, creating many new methods suited to our economic development needs, it takes part in social production on more levels and at more links, bringing its own role into full play. 4) It stimulates and raises the public's financial awareness, improving individual skills. As gray financing exists in our immediate lives, its emergence, development, and impact give the public a brand new sense of financing. Through contact with it, the public certainly senses the necessity of finance. But its limitations are that: 1) It impacts regu-

lar finance. Gray financing pursues high profits, luring much capital out of the banking system, to create an "outside flow" of capital. It weakens bank payment capability and derivative deposit ability, increasing pressures on banks to take money out of circulation and bank lending pressures on the central bank. Unless it is overseen and controlled, it can distort financial [monetary] signals, obstructing the government's monetary policy, and undermining overall capital distribution efficiency, which is adverse to state control of the macroeconomic capital scale and structural orientation. China's runaway money supply of recent years is due in a certain extent to the capital in market circulation no longer being under effective banking control. 2) It clashes with current legislative policy. As gray financing exists in a closed and illegal form, it clashes directly with our current legislative system, directly threatening the solemnity of our laws and policy, to sap their enforcement effects. But the conflict between gray financing and our current legislative system leads to either making a great effort to improve our legislative system to eliminate its [gray financing] effects, or to amending our legislative system to make it legal and open. Unless we pay adequate attention to this area, we may end up in a very passive situation, leaving our legislative policy impractical. 3) As gray financing is risky, it forms certain unsound socioeconomic relations. Gray financing's stealthiness and pursuit of profits unavoidably involve high risks. Unless we pay the proper attention and exercise effective oversight and control over gray financing, instead of letting it run free in a concentrated way, it may get off track and tend toward black financing, undermining our economy. And if it exists for long and operates underground, it can produce certain unsound socioeconomic relations.

So how are we to deal with China's current gray financing?

1. Absolute denial is undesirable. As gray financing is an economic phenomenon outside of our current economic system, whose existence is rational and valuable, outright rejection is undesirable. And that might root it even deeper underground, making it stealthier, while not throttling it.

2. The conversion of gray financing [to legitimacy] will take time and the right conditions. The conversion of gray financing will be grounded on public recognition of its value, identification with its methods, and legislative permission and support. But the process of conversion from underground to aboveboard and from stealthy to open will take some time. Converting gray financing will mean intensifying financial reform, establishing the dominant role of banks in our money market, and operating banks in a genuinely businesslike way, while gradually reducing, all the way to abandoning, financial

control. That will diversify our money market players, service forms, and financial tools. It will create a financial commodity market with market pricing, and financial business competition for excellence. A standardized and overseen money market needs People's Bank of China and scientific, flexible, and operable legislation and policy, as well as self-disciplined market forces. On the other hand, it raises the financial, self-discipline, and legal awareness of all players.

3. Gray financing is the outcome of inconsistency between subjective awareness and objective reality. So neither purely all-out endorsement or outright rejection would be correct. Fully understanding gray financing means freeing up our thinking and intensifying reform, which is the only way to make a sound assessment and take correct remedies. Once we find that a certain type of gray financing is more pro than con to our economy and that the time for converting it is ripe, we need to experiment boldly, while creating the essential objective terms for allowing it to become open financing. To achieve this, study needs to come first, with our legislation being timely or suitably leading. But in both study and legislation, we need to draw on the historic experiences and effective methods of all countries, using the scientific method for an all-out investigation, in-depth study, and accurate projection of gray financing. In line with Chinese realities, we need to take a gradual approach, deregulating step by step, and converting when the time is ripe. Meanwhile, as to gray financing and the open financing it is converted to, we definitely need to exercise strict guidance and oversight, playing advantages up and disadvantages down, to bring their good impact on our economy into full play.

Foreign Trade & Investment

PRC: U.S. Ex-Im Bank Finances Power Projects

OW1107054296 Beijing XINHUA in English
0507 GMT 11 Jul 96

[FBIS Transcribed Text] Washington, July 10 (XINHUA) — The U.S. Export-Import Bank today approved the financing of 321 million U.S. dollars worth sales of U.S. equipment and services for China's two power projects.

The bank authorized the financing of the 58 million dollars sale of six hydraulic turbines, accessories and services by Voith Hydro Inc. of York for use in the Xiaolangdi multi-purpose dam project on the Yellow River in Henan Province.

Voith won the bid after beating competition from France, Japan, Norway, Switzerland, German and

Canada. The U.S. bank will provide a 55.8 million dollar direct loan for the project through the Development Bank of China.

The bank also approved a financing to support the 263 million sale of power plant equipment to China by a consortium of General Electric Co. and other companies.

The consortium will provide equipment and services to Huaneng Power International to build two 350-megawatt coal-fired generating units for the phase II of the Nantong Power Plant project in Jiangsu Province.

The bank is providing a 260 million dollar direct loan for the project through the Bank of China. The bank financed the two generating units for the phase I of the Nantong project in 1986.

The Ex-Im Bank is a government agency that helps finance and promote the sales of U.S. goods and services around the world.

PRC: AT&T To Maintain Long-Term Development Strategy

*OW1107064096 Beijing XINHUA in English
0620 GMT 11 Jul 96*

[FBIS Transcribed Text] Beijing, July 11 (XINHUA) — AT&T, the global telecom leader, says it will stick to its long-term development strategy in China, in spite of its having been split into three separate companies.

Art Kobler, president of Communication Service Group of AT&T (China), said that the newly-established company, which retains the AT&T name, will handle all telecommunications services started by the old AT&T over the past decade.

The largest foreign telecom business in China, AT&T opened a dozen international telecommunications businesses ranging from direct dial, optical digital transmission, software defined network, and the Internet to satellite digital communications.

The company's restructuring, announced last September, will be complete by the beginning of 1997.

Kobler said the company's Chinese business will increase with the rapid growth in the country's telecommunications industry and the increase in multinationals here.

Statistics from the Ministry of Posts and Telecommunications show that, by the end of last June, China's telephone density reached 5.47 per cent, and the number of e-mail and Internet subscribers hit 8,855 and 12,000, respectively.

He said that owing to its huge population and economic potential, a 30 percent-odd growth in telecommunications industry in China can be maintained through the next century. So the company's development in China will be among the top priorities of its Asian and Pacific business.

The new AT&T has yearly sales of 51 billion US dollars, keeping it among the leading telecom carriers in the world.

PRC: U.S. Computer Company Introduces New Technology

*OW1107083596 Beijing XINHUA in English
0822 GMT 11 Jul 96*

[FBIS Transcribed Text] Beijing, July 11 (XINHUA) — Hewlett-Packard, the United States' third largest computer manufacturer, has introduced a series of Pentium Pro products to China to stay abreast the Pentium technology trend.

The HP products, ranging from personal computers, servers, and work stations to networks, are the company's latest technical breakthroughs. They made their Chinese debut on June 25.

The move will cause stiffer competitions among Pentium Pro-based computer products in China, an area which has several big names, in IBM, AST, and Compaq, say local industry experts.

The Pentium Pro, regarded as the likely candidate for the next generation of computer processors after the arrival of the Pentium chip, was first brought to China by Intel Company in the fourth quarter of 1995.

Dennis Mark Weng Leong, marketing manager of HP's personal information products group of the Asian-Pacific Region, says that the company's Pentium Pro products were displayed in five Chinese cities in a road-show this spring. Their major clients are big enterprises and commercial and financial agencies.

PRC: Coca Cola Sets Up Joint Company in Pudong

*OW1207010396 Beijing ZHONGGUO XINWEN SHE
in English 2353 GMT 11 Jul 96*

[FBIS Transcribed Text] Shanghai, July 11 (CNS) — Shanghai Shenmei Drinks and Food Company Limited, was set up in Jinqiao Export Processing Park in Shanghai's Pudong New Zone a few days ago.

The venture, which is co-funded by the US drinks giant Coca Cola, Shanghai Food Development Centre and China Grain and Oil Import and Export Company, has brought to 48 the number of multinational companies who have invested in Jinqiao.

Total investment in the new company is US\$95 million and its manufacturing base is expected to be in operation by the second quarter of 1997. With floor space of over 98,000 square metres, the base will annually produce 300,000 tonnes of soft drinks which are valued at RMB 1 billion.

PRC: Iran To Jointly Invest in Copper Mines

OW1007132996 Beijing XINHUA in English
1256 GMT 10 Jul 96

[FBIS Transcribed Text] Tehran, July 10 (XINHUA) — Iran and China will make joint investment of 350 million U.S. dollars to exploit copper mines in the Islamic Republic, a high-ranking official said here today.

Hoseyn Mahluji, Iranian Minister of Mines and Metals, said that a barter trade agreement has been signed between his country and China.

He said that the two countries will jointly develop the Songon copper mines in East Azarbaijan province. The initial stages of the contract have been carried out and the executive operations are to start next year.

Some 10 million dollars has been allocated to the project this year, he said, adding that the Songon copper mines with estimated 1 billion tons of reserves are among the richest in the world.

PRC: Expansion of Sino-Vietnamese Trade Noted

96CE0345B Beijing GUOJI SHANGBAO in Chinese
4 Jun 96 p 4

[Article by Li Chuxiang (2621 2806 4382): "Future Sino-Vietnam Economic Relations Present Both Opportunity and Challenge"]

[FBIS Translated Text] As the Vietnamese economy grows and its foreign economic relations develop, its economic relations and trade ties with China have been getting stronger and better all the time. This has tremendous practical significance for economic construction in China, especially in southwestern China.

I. State of Bilateral Trade

Bilateral trade has been expanding year after year. Including border trade, bilateral trade totaled \$232 million in 1991, \$266 million in 1992, \$320 million in 1993, \$440 million in 1994, and over \$1 billion in 1995. On 31 January 1996 the Chinese and Vietnamese governments signed an agreement on reopening railroads, thus resuming rail transportation between the two countries after an 18-year break.

II. Investment Cooperation

Chinese investment in Vietnam is currently concentrated in the chemical, building materials, restaurant, and service industries. Other areas where Chinese investment can be found include the textile, hydropower, and fishing industries. In 1993 the Vietnamese government approved \$6.82 billion worth of foreign-funded projects. Of the 31 investing nations, China ranked 20th. Specifically, five Chinese-funded projects with a total investment of \$6.46 million were granted licenses by the Vietnam National Investment Cooperation Commission. In 1994, \$42 million worth of Chinese investment projects were awarded licenses. Thirty Chinese companies have opened offices in Vietnam.

Existing problems in Sino-Vietnam economic relations and trade:

A. Commodity Quality

Chinese goods entering Vietnam through the various border trade points and private channels following the opening of border trade have definite quality related problems. But since they are cheap and Chinese products have a good reputation in Vietnam (especially the northern part of the nation), they have succeeded in capturing a fairly sizeable part of the market. As a result, "they have dealt a blow to Vietnam's domestic industries, even forcing some local enterprises to suspend operations and go out of business." "A variety of factors has prompted Vietnam to impose restrictions and quotas on imports and exports, including tariff increases, quality inspection, and strict controls," and it has mounted crack-downs. This has hindered the development of bilateral trade (particularly border trade) to a certain extent.

B. Account Settlement Methods in Trade

In January 1991 the two nations concluded an agreement under which account settlement in trade would be conducted using free currency through a bank, as it is usually done in international trade. In reality, however, account settlement in many cases still does not comply with international practices. Goods and cash change hands directly between buyers and sellers without involving any bank. This gives smugglers and other criminal elements loopholes they can exploit, to the detriment of the healthy development of bilateral border trade.

C. Scope of Investment Cooperation

The number of Chinese-funded projects in Vietnam is small, the amount involved is quite modest, and the technology and equipment used mostly remains at the low or medium level. For now Chinese investment in

Vietnam is confined to safe dependable projects that promise quick returns. Some Chinese funds still enter Vietnam in a roundabout route, being funnelled through Hong Kong, Taiwan, Malaysia, and South Africa.

III. Development Prospects of Sino-Vietnam Economic Relations and Trade

A. The development of Vietnam's economy and the broadening of its foreign economic relations present both an opportunity and a challenge to Sino-Vietnam economic relations. Located at the center of an Asian-Pacific region showing increasing economic vigor, Vietnam is accessible by all means of transportation and has bountiful resources. Now that Vietnam has joined ASEAN, in particular, its economic relations with that organization are becoming more intimate by the day. In the future, therefore, Vietnam will not only become an economic window to China's southwest, but will also develop into an economic bridge linking China to South-east Asia.

B. Sino-Vietnam economic relations and trade will be regularized and put within a legal framework. As a market economy becomes well established and works better and better in both China and Vietnam, bilateral economic relations and trade will develop following a standard international economic model. They will be regularized and put on a legal footing.

C. National trade will gradually replace border trade as the principal form of bilateral economic and trade relations. The resumption of rail transportation between China and Vietnam and the gradual improvement of the major ports near the Sino-Vietnam border will go a long way toward overcoming the bottleneck effect and expanding bilateral economic relations and trade. Border trade will continue to put its geographical edge to use. While remaining fairly modest in volume, it will gradually become the main conduit for technology exchange, the diffusion of famous commodities, and other economic and trade activities between the two countries.

PRC: New State Policy Towards Border Trade

HK1707074596 Hong Kong CHING CHI TAO PAO
in Chinese 20 May 96 No 2470, p 37

[Article from the "China Economic News" column:
"The State's New Policy Toward Border Trade"]

[PTS Translated Text for FBIS] In a recent circular the State Council has made new provisions on relevant issues of border trade.

Since April 1996 the state has administered border trade in two ways: First, joint trade fair by people in the border areas shall be organized by the governments

of border provinces and autonomous regions according to the methods worked out in a unified way by the Ministry of Foreign Trade and Economic Cooperation [MOFTEC] and the General Administration of Customs; second, small-volume border trade, i.e. other categories of border trade except the joint trade fair conducted by people in the border areas, shall come under the unified management of small-volume border trade.

Commodities imported daily by a person in the border areas through joint trade fair and valued at less than 1,000 yuan shall be exempt from import duty and import link tax. With regard to those in excess of 1,000 yuan, the excess portion shall be taxed according to the statutory tax rates. With the exception of cigarettes, wine, and cosmetics, as well as other commodities which must be taxed according to state regulations, the import duty and import link tax of commodities originally produced in contiguous states and imported by small-volume trade enterprises in the border areas through designated border ports shall be taxed half the statutory tax rates in the first three years of the Ninth Five-Year Plan (from 1996 to 1998).

Import and export management of small-volume border trade. Border provinces and autonomous regions shall examine and approve on their own the operational rights of border trade enterprises in light of the business qualifications, conditions, and total number of verified enterprises specified by MOFTEC in a unified way. The list of small-volume border trade enterprises must be submitted to MOFTEC for checking and ratification and its copies to relevant departments of the State Council for the record. Those enterprises which have neither been approved according to stipulations nor been submitted for the record are not allowed to engage in small-volume border trade. Except for commodities subject to the state's unified tender and joint operations, general chemicals for military use, and chemicals which can easily be turned into poisons, small-volume border trade enterprises may export commodities under the state quota and license systems without applying for quotas or licenses but they are subject to the macro-management of MOFTEC and the State Planning Commission.

The stipulations for managing import and export commodities under economic and technological cooperation between the border areas and contiguous states are as follows: Commodities imported through economic cooperation with the border areas of contiguous states by border enterprises which, as approved by MOFTEC, have the right to conduct foreign economic and technological cooperation shall be taxed according to the import tax policy for small-volume border trade. The materials they get in return for contracted projects and labor service cooperation may be brought into the bor-

der along with the projects, and shall not be subject to restrictions of operational division of labor. The equipment and materials which foreign economic enterprises in the border areas take out of the country according to labor service cooperation and contracted projects with contiguous states, as well as articles for the daily use of labor service personnel, shall not be subject to restrictions of export quotas or operational division of labor and be exempt from applying for export permits so long as they are within a rational scope.

Except for border trade, products imported through barter trade and economic and technological cooperation with the former Soviet and East European countries as well as other peripheral countries shall be subject to the state's unified import tax policy.

PRC: Roundup of IPR-Related Reports 9 Jun-5 Jul
OW1707143496

[FBIS Report] The following is a compilation of reports on the intellectual property rights issue in the PRC monitored by Okinawa Bureau during the period from 9 June to 5 July 1996. The source and mode of processing are indicated in parentheses following each report:

Zhongshan, Guangdong, Destroys Illegal
Audio-Video Products

On 7 June, departments concerned of Zhongshan city destroyed more than 40,000 illegal audio-video [A-V] products in public.

Since last winter, Zhongshan has launched a struggle to crack down on pornographic and illegal materials and to protect intellectual property rights [IPR]. The city's culture, public security, industry and commerce, press and publications, and other concerned departments have cracked down in a timely manner on illegal acts of spreading and selling pornographic materials, copyright infringement, and pirating, seizing a number of LDs, VCDs, and videotapes. (Text) (Guangzhou NANFANG RIBAO in Chinese 9 Jun 96)

Hunan Steps Up IPR Protection

Hunan has stepped up IPR protection and noticeable results have been achieved. According to a 6 June circular issued by the office of the provincial IPR coordination and leading group, from January to May this year, the province conducted 3,201 inspections of enforcement of laws governing copyright, patent, and trademark rights; and filed 666 cases for investigation, of which 460 were handled. In addition, 89,500 pirated A-V tapes, 14,800 pirated CD- DAs and LDs, and 97,418 pirated books were seized, effectively checking IPR infringement activities.

The provincial IPR coordination and leading group, headed by Vice Governor Pan Guiyu, was set up in November 1994. Special leading organs have also been set up in various localities to organize and coordinate local judicial, industry and commerce, copyright, patent, and other functional departments to inspect the enforcement of IPR laws. People's courts at various levels have examined a number of major and important cases. The Changsha City Intermediate People's Court set up a special IPR trial court; last year, it examined 45 cases involving IPR infringement, of which trials for 28 — involving 5.265 million yuan — have been concluded. Focusing on cracking down on counterfeit famous brand name products, industry and commerce departments of various localities conducted nearly 3,000 inspections of local major markets and shopping centers, uncovering and handling a number of cases involving violation of the trade mark law, of which six were transferred to judicial organs for investigation for criminal liability. Last year, the province held 251 classes to train 23,900 leading and management cadres, further enhancing people's consciousness of IPR protection and their understanding of IPR legal knowledge.

In January, the province carried out experimental IPR protection work in more than 20 selected enterprises and institutions; and, through this experimental work, these units were guided in a planned manner to establish and refine their internal IPR management systems. In May, the provincial people's congress standing committee and government conducted large-scale provincewide inspections of the enforcement of the Scientific and Technological Progress Law and other laws and regulations, enabling the province's IPR protection work to become more law-based, regular, and standardized. (Text) (Changsha HUNAN RIBAO in Chinese 10 Jun 96)

Hangzhou Cracks Down on Illegal A-V Products

On the afternoon of 12 June, Hangzhou's public security, industry and commerce, radio-television, culture, and press and publications departments conducted an unannounced inspection of the city's A-V products markets. Liang Pingbo, member of the provincial CPC committee standing committee and director of the provincial CPC committee's propaganda department; and leaders of the provincial people's congress, provincial government, and provincial committee of the Chinese People's Political Consultative Conference, took part in the inspection. The inspection group inspected the home electrical appliances market in (Fengqi) Road and 60 A-V products shops in the provincial radio-television-electronic products center, confiscating 1,824 illegal audio and video products, including 737 CDs, 94 LDs, 730

VCDs, 61 video tapes, and 202 audio tapes. Two cartons of smuggled LDs were uncovered in a shop in the center; more than 200 illegal audio and video products were uncovered in the Hangzhou (Jinxin) Electrical Machinery Institute; and more than 100 illegal audio and video products were uncovered in (Huaan) Trading Company. [passage omitted] (excerpt) (Hangzhou Zhejiang Provincial Radio in Mandarin 1000 GMT 12 Jun 96)

Ban on Using Others' Trademarks Reiterated

[Passage omitted] Japan's Mitsubishi Electric Machinery Company recently accused a Guangzhou enterprise of conducting business activities using the name of "Mitsubishi Cold Storage and Air Conditioning Service Department" without the company's authorization, leading many consumers to mistakenly think that it was a maintenance department established in Guangzhou by Japan's Mitsubishi Company. [passage omitted]

Because this case involves trademark management and registration and management of enterprises' names, the Guangzhou Administration for Industry and Commerce consulted the State Administration for Industry and Commerce about applicable laws and regulations. In its written comments in reply, the State Administration for Industry and Commerce stressed: Regarding enterprises that use others' trademarks without authorization and register them as a part of their enterprises' name, local industry and commerce administration organs, according to the "Trademark Law" and "Provisions on Management of Registration of Enterprise Names," should order them to change their names to avoid deception and misunderstanding among the public or not to infringe upon others' patented trademarks. (Excerpt) (Beijing XINHUA Domestic Service in Chinese 0638 GMT 17 Jun 96)

Urumqi Cracks Down on Illegal A-V Products

On 18 June, the Urumqi Social and Cultural Affairs Office inspected the (Tianshan) and (Shayibake) Districts A-V products markets, marking the start of Xinjiang's efforts to straighten out its A-V products markets and to crack down on illegal A-V products.

During the inspection, the office focused on inspecting 35 A-V shops, four shops using computer software for video games business, and nine shops using computer software for copying purposes. During the inspection, 952 audio tapes; 107 videotapes; and a number of VCDs, CDs, and other illegal audio and video products were seized. The (Minzu) Road branch of the (Daguanyuan) Video Games Company was outlawed; and one laser typewriter, one video game machine, and two printers were confiscated.

It has been learned that the authorities will outlaw all video games shops using computer cartridges and floppy disks. (Text) (Urumqi Xinjiang Television in Mandarin 1330 GMT 18 Jun 96)

Two Publishing Houses Revoked

The Press and Publications Administration recently issued a circular revoking the rights of Chengdu Publishing House and Shanxi Colleges and Universities United Publishing House for selling the right to edit, print, and publish books; copyright infringement; and other malpractices. The circular urges all publications administration departments and publishers to further improve publishing management; to correct the unhealthy practice of selling the right to edit, print, and publish books; and to effectively eliminate publication of unhealthy books. (Summary) (Beijing XINHUA Domestic Service in Chinese 1514 GMT 3 Jul 96)

Guangzhou Steps Up IPR Protection

Guangzhou has applied itself to IPR protection and severely cracked down on copyright infringement and pirating. In addition to strictly implementing international treaty on IPR protection and enforcing the state's relevant laws and regulations, Guangzhou has enacted a series of local supplemental laws and regulations to strictly sanction IPR infringements and protect Chinese and foreign IPR owners' legitimate rights and interests. The city also has tightened management; improved the order of the publication, production, distribution, leasing, showing, and transportation of IPR-related materials; and taken positive measures to protect patents and trademark rights. It has cracked down on and destroyed copyright-infringing and pirated A-V products, electronic publications, books, and pictorials. Guangdong customs also has tightened border inspections, stopping large numbers of illegal products from being smuggled into the country. [passage omitted] (Excerpt) (Beijing China Radio International in Mandarin to Hong Kong, Macao, the Zhu Jiang Delta and Southeast Asia 0900 GMT 5 Jul 96)

PRC: Steps in Developing Copyright Protection Legal System Noted

OW1607101196 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1106 GMT 15 Jul 96

[By ZHONGGUO TONGXUN SHE reporter Si Liang (1835 5328)]

[FBIS Translated Text] Hong Kong, 15 Jul (ZHONGGUO TONGXUN SHE) — A responsible person of China's Press and Publications Administration recently said that China's legal system for copyright protection is

being improved daily; now, 28 provinces, autonomous regions, and municipalities in the country have formed copyright administrative organs, and 10 provinces and municipalities have set up special courts for handling cases related to intellectual property rights. At the same time, the system in China is converging with the international legal system for copyright protection.

After China's first Copyright Law officially came into force in June 1991, the rapid development of national copyright protection was rarely seen in the world. Over the past five years, China successively adopted its "Rules on the Implementation of the Copyright Law," "Regulations on the Protection of Computer Software," "Regulations on Implementing the International Copyright Treaties," "Decision on Punishing People Who Commit the Crime of Violating Copyright," "Regulations on the Management of Audio-Video Products," "Circular on Registering the Production of Audio-Video Products from Areas Outside the Mainland," "Circular on Further Strengthening Management of Copying Laser and Compact Discs." All these laws, regulations, and rules basically completed the building of a legal system for copyright protection.

At the same time, China also took an active part in the international process of advancing copyright protection. China successively joined the "World Copyright Convention" and the "Bern Convention [gong yue 0361 4766] on Protecting Literary and Art Works," and became a member of major international treaties on the protection of copyright and relevant rights. China also established relations with more than 100 countries on reciprocal copyright protection.

China also advanced the judicial work related to copyright protection. After 1993, the high-level courts in Beijing, Shanghai, Guangdong, Fujian, Hainan, and Jiangsu and the intermediate-level courts in Shenzhen, Chongqing, and Nanjing set up their special tribunals for handling intellectual property rights cases. In addition, the intermediate-level courts in some provinces, autonomous regions, and municipalities have set up special tribunals for handling intellectual property rights cases.

The copyright administrative organs have been widely set up in China. Now, 28 provinces, autonomous regions, and municipalities have set up copyright administrative bureaus. In Hunan Province, copyright administrative bureaus have been set up in 14 prefectures and cities and in more than 30 counties, thus forming an integrated copyright management system. In Jiangsu Province, 11 cities directly under the province and some lower-level counties and cities with developed cultural activities have set up their intellectual property rights

offices and conference systems. These administrative organs are playing an important role in protecting the interests and rights of copyright holders, mediating in disputes, and investigating serious cases of copyright violation. In 1995 alone, these local copyright administrative organs handled over 520 copyright violation cases.

In the last few years, the markets for transferring copyright has been developing rapidly in various parts of China. In Beijing alone, nearly 10,000 enterprises were involved in the copyright market. In the two recent international book fairs in Beijing, businessmen signed 4,000 trade contracts with foreign and domestic copyright holders.

Through the work of the copyright protection organs, China achieved marked results in recent years in the field of cracking down on the criminal activities of copyright violation and piracy. According to the incomplete statistics of the authorities concerned, in 1993, more than 3 million copies of books published in violation of copyright and 480,000 pirated audio and video tapes were confiscated in the whole country; in 1994 and 1995, the figures were 2.69 million copies and 2.6 million tapes; in the first half of this year, over 1 million pirated books and more than 3 million pieces of pirated tapes and electronic publications were confiscated in all parts of the country. In 1995, the Press and Publications Administration of Beijing Municipality totally confiscated more than 1.1 million copies of books published in violation of copyright or other regulations.

Reportedly, the State Press and Publications Administration has been extensively collecting opinions and proposals on revising the copyright law since the beginning of this year, and it is expected that the draft of the amendment will be submitted to the State Council later this year. This will further improve the legal system of copyright protection in China.

PRC: Seagate Becomes Largest Disc Driver Maker
OW1707130496 Beijing XINHUA in English
1156 GMT 17 Jul 96

[FBIS Transcribed Text] Beijing, July 17 (XINHUA) — Seagate Technology, the world's leading supplier of computer hard discs, has invested 30 million US dollars in China over the past year. The company has now become the largest disc drive maker in China.

The Seagate Wuxi disc drive production plant, the company's first manufacturer in China, sold more than 1.7 million hard disc drives since its opening a year ago.

"Performing even beyond the expectations of Seagate's executive management, the Wuxi plant has played a

significant role in the company's drive to meet customer demand for 3.5-inch desktop products," said Richard Downing, senior vice-president of Seagate Far East Manufacturing, referring to the company's 30-million-dollar capital investment.

"It is just a beginning," he said, adding that Seagate will add 3.7 million dollars to expand the production capacity of the plant next month.

Employing 1,500 local workers, the plant is now the largest exporter in Wuxi City, and the first multinational to start up in the city's technology park.

The park, involving 110 million US dollars' investment, was jointly launched by the city government and business investors from Singapore.

PRC: Chinese Firms Failing To Register Trademarks Abroad

*HK1807085596 Beijing CHINA DAILY in English
18 Jul 96 p 4*

[Unattributed report: "Trademarks Are Keys to International Market"]

[PTS Transcribed Text for FBIS] McDonald, Nike, Sony, Toyota, Benz, Coca Cola....

These names are no longer strange to Chinese after the country opened up to the outside world in early 1980s.

Compared to trademark brands known around the world, many Chinese products well-known in China find it difficult to win a share of the international marketplace.

The barrier to world-wide sales was raised by Chinese entrepreneurs who failed to register their trademarks quickly enough in other countries.

As a result, some famous Chinese brand names have been registered by foreigners.

The Chinese brands affected include Quanjude (a synonym for Beijing roast duck), Jianlibao (a soft drink), Tongrentang (a pharmaceutical firm) and Hongtashan (a cigarette). Though the exact figure is not available, the list of "stolen" trademarks is estimated to be long.

According to the Beijing-based newspaper Legal Daily, 180 Chinese brands were registered by foreigners in Australia, 48 in Malaysia and some 100 in Japan.

It is difficult to count the financial loss caused by the practice, the newspaper said. Even worse, the foreign business people's "stealing" Chinese trademarks blocked the way for Chinese products to intentional market. [sentence as published]

Foreign firms, however, showed no reluctance to register their trademarks in China. By the end of 1995,

11,322 trademarks were registered in 120 countries and regions, including 18,000 Japanese trademarks and 23,000 US trademarks that were registered in China last year alone. [sentence as published]

It is the Chinese entrepreneurs' indifference that gives the foreign opportunists the chance to reap the fruits which they have not sown.

According to the newspaper, the Chinese entrepreneurs and firms should be aware that they cannot compete successfully unless they register their brand names as soon as possible. Furthermore, the registration provides them legal protection in the hectic world of international trade.

Unless this is done, the newspaper warned, the fruit of their labour will be plucked by others.

PRC: Name Brand Exports Urged to Remain Competitive

*96CE0345A Beijing GUOJI SHANGBAO in Chinese
4 Jun 96 p 1*

[Article by Zhao Yongqing (6392 3057 3237): "Create Name Brands to make Chinese Exports More Competitive"]

[FBIS Translated Text] Following the rapid growth of the Chinese economy in recent years and the gradual rise in living standards, public awareness of name brands has deepened greatly. There is a gradual shift under way these days toward name brand consumption, coupled with a greater appreciation of name brands. Take name brand apparel, for instance. Superficially, it is a symbol of identity, status, and wealth. At a deeper level, it embodies the wearer's image and culture. The consumer loves name brands, enterprises are scrambling to create them, and government plans to nurture them. Covetous foreign name brands have mounted a large-scale assault on the Chinese market. Not to be outdone, Chinese name brands have been striving to build themselves up and join the battle on the world markets. Name brands are hot in Chinese socioeconomic life nowadays.

But there is one blind spot amid all the brand name fever sweeping the land, namely the lack of sufficient attention by society to name brand exports. The reasons for this are varied. What usually concerns people first and foremost is the survival of domestic name brands on the domestic market. What is often overlooked is the growing importance of name brand exports now that the Chinese economy has become fairly dependent on foreign trade. With rising global economic integration and the growing complementarity between the domestic and international economies, if Chinese exports lose ground on the world market because of

the failure to come up with world-class name brands, become less competitive and give up market share, the development of the Chinese economy is bound to be affected severely.

Of course, hardest hit will be the foreign trade enterprises themselves. Under the planned economy, enterprises had no need to pay attention to brands and a public that had to put up with endless commodity shortages could not afford to worry whether or not an article came with a famous brand name. In a socialist market economy, however, market competition is cutthroat and the quality and brand of a piece of merchandise has a direct impact on the enterprise's bottom-line. An enterprise which fails to establish a brand name will not survive. According to statistics, there are over 10,000 (a number sure to go up in the days ahead) foreign trade enterprises of all types in China right now, whether they are specialized foreign trade companies or production enterprises and scientific research institutions authorized to engage in import and export trade. But a substantial number of them are short on adaptability and lack a long-term strategic vision. By and large they still operate in a myopic fashion, making whatever that sells. So far many have not created their special brands of merchandise or developed their own core products or their own mainstay export commodities. The worst is that they have not developed a strategic sense of nurturing their very own name brands for exports. They do not realize that the only way a foreign trade enterprise can gain a foothold in the ferociously competitive market of the 21st century is to export high quality name brand products. Take, for instance, trademark control, an important element of the name brand strategy. In many foreign trade enterprises, nobody is responsible for and no special office is put in charge of trademark control. There is a dearth of trademark knowledge and most foreign trade companies simply don't have their own trademarks. This absence of a broad trademark basis and effective trademark control is a major reason why Chinese exports are at the low end of the market and has much to do with procurement wars and foreign trade disorder.

Now that the name brand fever is taking the nation by storm, foreign trade enterprises should not and cannot dodge this issue. They are duty bound to create famous national brand names and introduce them on the world market. This is what society needs. This is what foreign trade enterprises need for their own development. It also represents the only way to make foreign trade enterprises more competitive. Chinese export commodities should enjoy better access to the world marketplace after China joins the World Trade Organization [WTO]. At the same time, however, China

would have to contend with full-fledged competition from the world. As we open our door to funds and technology from outside, foreign name brands will find their way into China in their wake—and put enormous pressure on domestic products. Thus a grim challenge facing all sorts of foreign trade enterprises, which are in the forefront of the open policy and participate directly in global competition, is this: How to make Chinese commodities more competitive internationally so that both traditional commodities and modern staple products will be more than a match for the best in the world in terms of quality and grade level and create a host of famous Chinese name brands capable of taking on their foreign counterparts. Foreign trade enterprises must now confront the very real issue of executing the name brand strategy more expeditiously.

PRC: Foreign Firms Said Driving Force Behind Shanghai Economy

*OW1807021096 Beijing ZHONGGUO XINWEN SHE
in English 1443 GMT 17 Jul 96*

[FBIS Transcribed Text] Shanghai, July 17 (CNS) — Foreign firms in Shanghai now play a dominant role in the local economy, accounting for 55.1 percent of all foreign trade in the municipal area.

In the first six months of this year foreign firms in Shanghai recorded a combined turnover of imports and exports of US\$ 6.08 billion, an increase of 39 percent compared with the same period last year. In the first half of 1995 foreign firms only controlled 44 percent of foreign trade.

The value of imports soared 36.4 percent to US\$ 3.94 billion alongside US\$ 2.14 billion of exports, jumping 44.1 percent.

Boosted by tax reductions, exemption policies and export tax rebates applicable to foreign trading companies formed after 1994, foreign import & export firms were highly active throughout the past months.

At the same time as tremendous foreign trade growth, foreign firms maintained their growth in the processing sector with a resultant 29.3 percent rise in imports & exports of processed goods to hit a combined total turnover of US\$ 3.297 billion. It is significant that 54.2 percent share of the combined foreign trade turnover of foreign firms during the first half of the year was achieved from trade in processed goods.

PRC: Digital Network for International Business Opens in Beijing

OW1007161296 Beijing XINHUA in English
1521 GMT 10 Jul 96

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — Beijing Telecommunications Bureau opened a digital network in Beijing today for international business to Japan and the United States.

The network is scheduled to be opened to Germany, Singapore, Hong Kong, as well as other countries and regions in the near future.

The network can provide such services as telephone, fax, data transmission, as well as photo transmission.

From today the network will provide a service for the 26th Olympic Games in Atlanta.

PRC: Three Gorges Project Worth \$10 Million Signed 18 Jul

OW1807140696 Beijing XINHUA in English
1334 GMT 18 Jul 96

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — After nearly a year of bidding, three contracts worth a total of 87.6 million yuan (about 10.6 million US dollars) were signed here today for equipment for construction of the gigantic Three Gorges Dam Project.

The China Chang Jiang Three Gorges Project Development Corporation (CTGPC), which is in charge of the project, signed the contracts for the second phase of the dam project, which will begin after the Chang Jiang is dammed in November 1997, and be finished in 2003 when the powerhouse of the project starts generating electricity.

Under the terms of the contracts, the company will buy high-mounted portal cranes from the Shanghai Port Machinery Plant, side dumpers from North Haulers Ltd Liability Company, and concrete buckets from the Liujiaxia Hydraulic Equipment Plant.

A company official revealed that the French company Potain is still negotiating with CTGPC for supplying equipment for the second phase of the project, but have not come to terms yet.

A total of 11.5 million cubic meters of concrete and 130,000 tons of steel are needed for the second phase, which involves a great deal of difficulty and labor, with peak annual use of concrete of as much as four million cubic meters and peak monthly use of 400,000 cubic meters. This is a world record for hydro-electric construction projects.

He Gong, vice-president of CTGPC, explained that the major feature of this round of international bidding is that the companies not only provide equipment but also come up with construction plans for CTGPC's reference.

Since last August, documents were bought by 13 companies or consortia from China, France, Japan and elsewhere. Seven submitted tenders, which were opened on January 15.

In order to oversee construction work on the dam and powerhouse during the second phase, CTGPC asked more than 20 experts, over the past half year, to assess the bids and study bidders' proposals, as well as technical performance of their equipment.

The bidding, which lasted nearly one year, was open to competition, and completely fair, said the vice-president, who went on to say that the purchasing is not yet completed, because the equipment will be procured in phases. Therefore, bidders still have the right to come up with better construction designs.

"We hope that manufacturers keep their competitive edge while continuing to cooperate with CTGPC in an honest way," he said.

PRC: Port Arthur Naval Port Area Partially Opens to Foreigners

OW1007135296 Beijing XINHUA in English
1328 GMT 10 Jul 96

[FBIS Transcribed Text] Dalian, July 10 (XINHUA) — China announced today it will open part of the northern coastal area of Lushunkou, a major naval base known as Port Arthur, that has been closed to the outside world for 41 years.

A total of 233 square kilometers in northwest Lushunkou is no longer included in the restricted military zone of the area, according to a decision by the central authorities.

Foreigners now have free access to the opened area, but entry into the southeast part of Lushunkou, where the restriction remains, is still not allowed, said the announcement.

Local officials said that the Chinese government may open to foreign vessels the Bohai Sea route, which links the port to the Shandong Province. They said final approval is expected soon.

Lushunkou is a district of Dalian in the industrial province of Liaoning.

The partial opening of the area symbolizes a further step in China's opening-up process, that has already

brought about rapid economic growth in the eastern coastal region, observers said.

The history of Lushunkou as a naval port dates from early 18th century, when the Qing Dynasty vowed to build a powerful navy force there. By 1890, it had developed into one of the world's five largest naval ports.

With its strategic location, Lushunkou was a major battlefield during the Sino-Japanese War of 1894-1895 and the Japanese-Russian War early this century. The port was occupied by Russia from 1895- 1904, and then by Japan for the next 40 years.

Since the 1950s, China has been upgrading the port to a modern naval base. Two former Chinese Navy commanders were trained at the base, and a number of long-distance missile tests were successfully conducted by nuclear-powered submarines.

Observers said that the partial opening of Lushunkou today represents a historic change in contrast to foreigners' military invasions a century ago, and reflects both an increase in China's national strength and the trend of opening to the outside world.

Lushunkou, with a population of 210,000, has an annual gross domestic product of 2.6 billion yuan. Economists believe that the port area has fine prospects for economic development, as it is equipped with sound infrastructures.

Local officials said that they will strive to attract international capital, and will invite foreign investors to launch businesses in fields such as agriculture, aquatic production, tourism and port development.

A group of Japanese officials and entrepreneurs will soon arrive in the newly-opened area to explore business opportunities, local officials said.

PRC: Central-West Region 'Attractive' to Investors

OW1007082096 Beijing XINHUA in English
0748 GMT 10 Jul 96

[FBIS Transcribed Text] Beijing, July 10 (XINHUA) — China's central-western region is rich in natural, human and land resources and is attractive to both domestic and overseas investors, according to Zhou Guangzhao, chairman of the China Association for Science and Technology (CAST) and president of the Chinese Academy of Sciences.

But the region is economically underdeveloped, due to historical, social and natural factors, Zhou said today at the opening ceremony of a symposium on investment in the central-western region. The majority of China's 65 million poverty-stricken people live there.

The central-western region accounts for 55.9 percent of the national land area, and more than 60 percent of the national mineral resources. The area also has abundant and cheap labor resources and an enormous market.

All are a strong attraction for both domestic and overseas investors, he said.

He said that the improving material foundation and increasingly intense international competition also bring more overseas investors to the region.

The Republic of Korea sent a 400-member delegation to the symposium, which has also hosted businessmen from Japan, the United States and the Netherlands.

Agriculture

PRC: Science, Technology Seen Key to Anhui Agriculture Growth

OW1807134396 Beijing XINHUA in English
0815 GMT 18 Jul 96

[FBIS Transcribed Text] Hefei, July 18 (XINHUA) — Wide-spread use of science and technology has brought farmers in east China's Anhui Province 12.6 billion yuan (about 1.5 billion US dollars) over the past five years.

The province attaches great importance to agricultural improvement through the use of science and technology. In that period, agro-tech departments have held 129,200 training sessions, and distributed 133 million copies of agro-technical information, and some 48,000 technical personnel have been involved in various types of agrotechnical contracting services.

The departments have made big efforts to introduce latest technology in eight major areas for planting hybrid crops, raising seedlings, transplanting, improving the cultivation system, and in other ways.

In those districts where science and technology have been spread for agricultural development, the output of major crops has risen as much as 57 percent during the past five years, statistics show.

PRC: Henan Secretary Discusses Agricultural Reform

SK1807120296 Zhengzhou HENAN RIBAO
in Chinese 2 Jul 96 p 1

[Report by reporter Yan Jingye (7051 2417 2814)]

[FBIS Translated Text] On the afternoon of 1 July, at the report meeting on the inspection of three countries in northern Europe, Secretary Li Changchun held that the most important work at the moment is to draw on

the development experience of developed countries and speed up Henan's economy in its change from a planned economy to a market economy, and from an extensive management system to an intensive one.

At the report meeting, Li Changchun detailed the modernization results and experiences of Belgium, the Netherlands, and Finland, especially the Netherlands. The Netherlands, a small country that lacked sufficient food and clothing in the 1950's, has developed into an agricultural giant ranked number three in terms of farm produce export, third only to the United States and France. Thanks to its highly intensive management and high marketization of farm produce, the Netherlands's agriculture is known for its high-value industrial structure, high-yielding productive forces, high-level labor productivity, high processing added-value, and high-proportioned foreign-exchange-earning export. Its basic experiences are: First, carrying forth merits while eliminating drawbacks, it established a highly-efficient agricultural structure which attaches importance to the efficiency of optimizing the structure. Second, it adheres to the pattern of family farms; all agricultural socialized services are coordinated. Third, it attaches importance to rejuvenating agriculture with science and education, the dissemination of agricultural knowledge, and the transformation of scientific and technological results. Fourth, the market mechanism is highly efficient.

Taking into consideration Henan's real situation, Li Changchun pointed out: To change the agricultural economic system is mainly to liberate agriculture's vitality to develop. The cultivation of a market economy, the improvement of a market economy, and the consolidation of macroeconomic control are the three basic factors for a market economy. The change of the agricultural growth mode is to implement intensive management and increase efficiency through optimizing the structure, enlarging the scale, and advancing science and technology.

Li Changchun attached great importance to the two basic changes of agriculture. First, accelerating the industrialization of agriculture has become the key as well as the most important work at the moment for traditional agriculture to become modern. For agriculture to enter the market, we need enterprises. It is imperative to encourage the appearance of a large number of agricultural enterprises and a large number of agricultural corporations, and to form the industrial pattern of "integrating companies, bases, and farm households" as soon as possible. The reform and development of agriculture are in need of agriculture enterprises and the industrialization of agriculture. Industrializing agriculture is also a way to connect ourselves with the outside world. We have the potential to introduce foreign funds, transform agricul-

ture, and develop agriculture; all this should be based on the transformation of the agricultural system. The supporting reforms of the domestic economic system, such as the reform of the investment system and the reform of the loan and banking system, call for the industrialization of agriculture. The rejuvenation of Henan with science and agriculture also requires the industrialization of agriculture. We should have a large number of agricultural enterprises to be the carrier to absorb qualified scientific and technological personnel, advanced skills, and scientific and technological results, and should become the mainstay for the exploration of practical farm skills. Agricultural enterprises, with the integration of commerce, industry, and agriculture as well as the coordination of production, supply, and marketing, can reach markets at home and abroad; together with the peasants, they form a community sharing common profits.

We can cultivate agricultural enterprises in various ways. Existing state-owned farms can be transformed into exemplary agricultural companies, implementing the shareholding system, for example, so as to enhance the change of the system. We can start experimental reform from agriculture-related institutions which have the conditions for entering the markets, such as animal husbandry and farm machinery. Those cadres diverted from county and township organizations should be encouraged to run agricultural enterprises. The services of the existing agriculture-related circulation enterprises, like supply and marketing cooperatives, should be extended on a trial basis. The rural collective economic organs with good conditions can be transformed into agricultural enterprises. Capable persons should be encouraged to establish or supervise the establishment of agricultural enterprises. Just like the efforts we made to establish industrial enterprises, we should make the same efforts to cultivate agricultural enterprises, give priority to supporting them, and perfect them so as to let them play an exemplary role. It is imperative to do research and to stipulate the related policies to speed up the development of agricultural enterprises.

Second, we should increase our speed to perfect the circulation system for farm produce. Only large circulation can nurse large markets and large production. We should gradually change from the system in which the government sets prices to a system in which the markets decide the prices. When continuing to develop a large and stable farm produce futures market, we should also develop the spot market in an active and proper manner so to connect total demand with total supply. It is imperative to employ market rules, form reasonable prices, and create the situation of large circulation between the domestic and international markets.

Third, we should pay firm attention to implementing the plan to rejuvenate agriculture with science and technology. The priority should be given to establishing examples, then to training. We should establish some exemplary high-efficient agriculture zones or exemplary high- and new-tech agriculture zones, just like we established high- and new-tech industrial zones. Peasant households with a higher education level should be nursed into exemplary peasant households with high efficiency. We should pay the same attention to the scientific and technological education of the peasants as we paid to cultivating secretaries for rural grass-roots party branches. It is imperative for our agrosience research bodies to firmly focus on the study of applied agriculture and on practical skills by listing a number of key research areas, and by stipulating a five year plan for scientific researches and dissemination, so to reap efficiency from scientific and technological advancement.

Fourth, we should pay firm attention to the two key points—water conservation and good seed variety—in order to ensure the stable growth of agriculture. As regards water conservation, we should achieve success in sinking wells in the plains and in expanding the diversion of the Huang He. In the mountainous area of east Henan, we should pay attention to the infrastructural facilities of water conservation, to water-efficient agriculture, and to improving the conditions for farm production. As regards good seed variety, autumn crops, especially corn, are still a weak link. We should pay attention to the seed variety of corn just as we paid to wheat variety.

Fifth, importance should be attached to optimizing the agricultural structure. Under the premise of never relaxing grain production, we should pay attention to industries such as animal husbandry, gardening, and the processing of farm produce. We should attach importance not only to the amount of production, but also the value of production. It is imperative to advance towards a highly-efficient agriculture. Animal husbandry can transform farm produce and add value; in addition, it can also boost many trades such as leather,

food, and biological pharmacy. We should make efforts to cultivate such backbone enterprises. Gardening and flower raising are very promising as new backbone industries in rural areas. During the Ninth Five-Year Plan period, we should give special support to a number of enterprises processing farm and sideline products to add their value.

Sixth, we should further develop township enterprises and small rural towns, and should help the peasants to sever themselves from the land. To achieve scale-management efficiency, it is important to develop township enterprises. For localities with good conditions, we can adopt various forms such as using land to purchase shares, and, on a voluntary basis of peasants, leasing land to develop it in an active and stable manner. Thus, the economic returns from a scale economy can continuously increase in a peasant's income. Peasants severed from the land can go to small towns to engage in secondary and tertiary industries, and can develop township enterprises.

Seventh, agriculture should also accelerate the implementation of the strategy of opening up to mobilize all sectors. This is a way to carry out the two basic changes in agriculture. It is imperative to focus our efforts to introduce new varieties. We should strengthen the impetus of introducing foreign funds, establish funds for agricultural projects, and give leading agricultural enterprises the right to handle foreign trade. Research bodies and agriculture institutes of higher learning should reinforce exchanges and cooperation with the outside world.

Comrade Li Changchun also set forth several specific tasks we should put into practice at the moment.

The report meeting was held at the Council Chamber of the provincial People's Congress. Leading comrades of the provincial party committee Standing Committee, provincial People's Congress, provincial government, and provincial Chinese People's Political Consultative Conference, as well as persons in charge of related departments, listened to the report.

Southwest Region**PRC: Beijing Initiates Help Tibet Culturally Project***HK1807010096 Hong Kong SING TAO JIH PAO
in Chinese 28 Jun 96 p A2*

[Report by reporter Chang Yi-cheng (4545 0110 6927):
"China Launches 'Help Tibet Culturally' Project"]

[PTS Translated Text for FBIS] China looks upon the "Tibetan cultural issue" as an important part of the "anti-splittism, anti-Westernization, and anti-disintegration" struggle. The relevant department convened an "All-China Forum on 'Help Tibet Culturally' Work" to determine the specific arrangements for the "Help Tibet Culturally" project in early June. In early July, an investigating team comprising responsible persons of culture bureaus from 14 provinces and municipalities will leave for Tibet to carry out the "Help Tibet Culturally" plans of those provinces and municipalities on site.

China convened its third discussion meeting on Tibetan work early this year. The meeting affirmed that over the years the Dalai Lama clique had engaged in extensive splittist activities with the support of hostile Western forces and had contended with the Chinese Government for the masses, teenagers, and popularity through cultural and religious infiltration. The meeting also argued that hostile Western forces banked on the so-called "Tibetan issue" as a means to add pressure on China and to sabotage and interfere with China's modernization. According to this view, the Dalai Lama clique and hostile Western forces have colluded with each other and are using the so-called "Tibetan human rights issue" and "Tibetan cultural development issue" to engage in splittist activities.

It was learned that back in the mid-1980's, China set forth the goal that "every county boasts a library and a cultural center; every township boasts a cultural station." As of now, however, in the 77 counties in Tibet, there are no libraries in 54 counties and no cultural centers in 53 counties, while cultural stations do not exist in the majority of townships. In the small number of existing cultural centers and cultural stations, their equipment was largely simple and poor.

To change the above-mentioned situation, the Ministry of Culture decided not long ago to let 14 provinces and municipalities participate in "help Tibet culturally" work and provide Tibet with funds, qualified people, technology, materials, and equipment needed in cultural building.

In addition, the Ministry of Culture will invest at least 1.3 million yuan this year for the maintenance and installation of cultural equipment in Tibet and the

building of a border cultural corridor. The ministry also plans to provide subsidies for Nagqu, Shannan, Xigaze, Ngari, and Nyingchi to build prefectural libraries and for Lhasa and Xigaze to build city libraries between 1996 and 2000. During that period, 60 cultural officials selected from those 14 provinces and municipalities will be sent to Tibet to work for at least three years; at the same time, 28 Tibetan cultural officials will be sent to the mainland for training.

It was also learned that the central government will organize and sponsor a number of Tibetan artistic performance troupes to go on tour overseas to refute criticism that China is extinguishing Tibetan culture. This year eight Tibet art exhibitions will be organized and displayed in Mongolia, the United States, India, Britain, and the Netherlands.

PRC: Tibet Achieves 'Steady Economic Growth'*OW1807063196 Beijing XINHUA in English
0624 GMT 18 Jul 96*

[FBIS Transcribed Text] Lhasa, July 18 (XINHUA) — The Tibet Autonomous Region reported steady economic growth in the first half of this year, with a sharp rise in industrial production and a lower price increase range.

According to the Autonomous Regional Statistics Bureau, Tibet's industrial production amounted to 253 million yuan during the January-June period, up by nearly 12 percent from the same period in 1995.

A bureau official said that increases were scored in production of electricity, timber, cement and chromium ore.

Tibet invested 1.03 billion yuan in fixed assets, meeting 33 percent of its annual target, the official said.

For the first time in three years, the price increase range fell to less than ten percent during that period, he said.

He said that a lower price increase range is due largely to the introduction of the system for reserves of such daily necessities as food grain, tea, sugar, meat and butter.

From January through June, Tibetan farmers upgraded 16,000 hectares of low and relatively low-yield farmland and built 4,250 hectares of terraced fields.

PRC: Move To Send Tibet Children 'Inland' for Education Viewed*OW1807140796 Beijing XINHUA in English
1248 GMT 18 Jul 96*

[FBIS Transcribed Text] Lhasa, July 18 (XINHUA) — Tibetans used to be proud when their children were

accepted as young lamas by monasteries. Now they do whatever they can to send their children to inland city schools.

Wangdui and Deng Yuanjun, a middle-aged couple in Lhasa, have spent more than 10 years building a cozy home.

Now, their only expectation is that their 13-year-old son, Pemba Cering, can pass the entrance examination to enroll in the Classes for Tibetan Children offered in inland cities.

Pemba finished his primary education last year, but failed the exam that would take him inland. With his relatively high scores, he could have attended any secondary school in Lhasa, but his parents decided that he would take another exam this year.

Pemba's parents do not blame him for his exam score. "Too many families want their children to go to the inland cities for better education, and the competition is too fierce," Wangdui said.

Since 1985, the Chinese government has offered classes in cities, where higher education levels are more common, in order to provide free secondary and high school education for Tibetan children.

These classes usually are taught by the most qualified local teachers. Tibetan language lessons are taught and daily lives managed by Tibetan teachers sent from the Tibet Autonomous Region.

"With a good education, the kids who return from inland classes will easily land good jobs," Wangdui said.

With this in mind, more parents in Lhasa, as well as in the whole autonomous region, are sending their children to vie for the chance to attend "inland classes."

Among this year's 16,000 primary school graduates, only one out of 10 will be selected to go to the inland schools.

Other parents view the classes as an opportunity for their children to become more broad-minded and gain added skills and personal confidence.

"I hope my daughter will have the chance to study in an inland class, where she will learn how to take care of herself alone in addition to receiving good academic studies," a parent said about his only child.

When the classes were first offered, Tibetans were not as enthusiastic about enrolling their children, said Liu Boqing, an official with the education commission of the Tibet Autonomous Region, who organized the classes.

Parents worried their children would be unaccustomed to living with strangers, such as the Han people, or

that they would find themselves helpless in strange circumstances.

"When I saw my daughter grow stronger and wear more fashionable clothes when she came back for the first vacation, my misgivings were dispelled," a mother said.

Liu said he is delighted that increasing numbers of farmers and herdsman are encouraging their children to take the entrance examinations.

According to the requests of the State Education Commission, more than 70 percent of those recruited by inland classes should be children of farmers and herdsman. The state pays for traveling expenses for the poor.

"The change in Tibetans' attitude toward their children's education, from the preference for monasteries to inland classes, has been remarkable and positive," Liu claimed.

Many others believe that the change is a result of increasingly frequent exchanges between Tibetan people and the rest of the country.

PRC: Tibet Party Secretary on Cultural, Ideological Progress

OW1907035896 Lhasa Tibet Television Network in Mandarin 1200 GMT 16 Jul 96

[From the "Regional News Hookup" program]

[FBIS Translated Text] On the afternoon of 15 July, Comrade Chen Kuiyuan, secretary of the regional party committee, made an important talk on intensifying the efforts in promoting Tibet's cultural and ideological progress. He also commented on some related issues that have to be addressed.

[Video shows medium close-ups of a female reporter interviewing Chen Kuiyuan in an office] [Begins recording] [Reporter] Secretary Chen, the Fifth Plenary Session of the 14th CPC Central Committee highlighted the need to promote cultural and ideological progress. The forthcoming sixth plenary session will also list this need on its agenda. Would you please comment on this?

[Video shows close-ups of Chen speaking without notes into a microphone held by the reporter] [Chen] The CPC always attaches great importance to cultural and ideological progress. When revolutionaries of the older generation led our party in revolution and construction, they always attached importance to the important role played by spiritual, cultural, and ideological factors. Following convocation of the Third Plenary Session of the 11th Central Committee, the party Central Committee has been underscoring the need to promote cultural and ideological progress while engaging in material construction. I think cultural and ideological progress is part of

our work in upholding the theory of building socialism with Chinese characteristics and the party's basic line. Promoting cultural and ideological progress, therefore, should be part of our endeavor of building socialism with Chinese characteristics. Promoting cultural and ideological progress should include promoting communist ideals, ethics, and convictions. The kind of cultural and ideological progress we are talking about should also inherit and carry forward the Chinese nation's fine cultural, spiritual, and ethical traditions. Only then will it have Chinese characteristics. Since the conditions, environment, and assignments for promoting cultural and ideological progress today are different from those of the war years as well as the 1950's, our work in promoting cultural and ideological progress today should reflect the characteristics of the new era. The kind of cultural and ideological progress with Chinese characteristics we are going to promote should be one that amalgamates communist ideals and convictions, the Chinese nation's fine cultural traditions, and today's social conditions.

[Reporter] What should we do to promote Tibet's cultural and ideological progress?

[Chen] To succeed in this regard, we should adhere to the Central Committee's guidelines, general and specific policies, and requirements for promoting cultural and ideological progress while promoting Tibet's cultural and ideological progress. Considering Tibet's actual situation, I think Tibet should — aside from meeting the requirements set for all parts of the country — pay special attention to addressing the following issues. First of all, the vast number of communist party members and the people in Tibet should properly address the issue concerning their political stand in struggling against the Dalai clique by upholding the stand of safeguarding national unification and opposing the Dalai clique's activities of splitting the motherland. Second, we should do away with outmoded customs and habits. While ethnic Tibetans and people of other ethnic groups who have been producing and working here in the Tibetan Plateau for a long time have made substantial material as well as cultural and ideological progress, many outmoded customs and habits incompatible with modern production, culture, and thinking still exist in our society and among our people for various reasons. These customs and habits not only hinder Tibet's economy from developing rapidly, but also hinder ethnic Tibetan people from making cultural and ideological progress and their children from becoming better educated personnel. Thus, to promote Tibet's cultural and ideological progress, we should pay special attention on doing away with outmoded customs and habits in light of Tibet's actual situation. Meanwhile, we must pay attention to addressing the issue of making Tibetan people's

academic training and proficiency in science compatible with the needs of Tibet's socialist construction. While accomplishing the assignments concerning our political stand as well as people's thinking, culture, and ethics, we should help them become academically, scientifically, and technically more proficient so that the overall quality of people in Tibet will be noticeably higher, and so that our work of promoting cultural and ideological progress can be integrated more closely with achieving material progress. [end recording]

PRC: Gyaincain Norbu, Gyamco Assess Tibet Economic Performance

OW1607121996 Lhasa Tibet Television Network in Mandarin 1200 GMT 15 Jul 96

[Announcer-read report over video; from the "Regional News Hookup" program]

[FBIS Translated Text] The regional government called a meeting on 12 July to brief responsible departments on Tibet's economic performance during the first half of the year and measures for the second half of the year. According to the meeting, the region has ample confidence in reaching 1996 economic targets as the economy continues to develop steadily and the macroeconomic environment continues to improve during the first half of the year.

Regional chairman Gyaincain Norbu and regional vice chairman Cering Zhuoga attended the briefing, which was chaired by Yang Chuantang, executive vice chairman of the regional government [Video shows close-ups of these Tibetan leaders when their names are announced].

Executive Vice Chairman Gyamco briefed leaders from various regional departments, bureaus, committees, and offices as well as departments affiliated to central authorities on Tibet's economic performance during the first half of the year and measures for the second half of the year [Video shows close-ups of Gyamco reading from a prepared report, and group shots of attendees reading the report at different parts of the meeting hall].

Since the beginning of 1996, upholding Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic lines, higher and lower departments in Tibet have been able to exercise overall control over the situation with the guidelines laid down by the Central Committee's Third Forum on Tibetan Affairs and the fifth regional party congress. As result of buttressing enterprise reform with reforms in other areas, they have steadily expedited Tibet's economic reform and improved the performance in rural and pastoral areas. Working on the forefront

with emancipated minds and a new mindset, party and government leaders are leading the vast number of peasants and herdsmen to explore and promote new ways and means for rural reform.

Commercial, financial, taxation, and financial services and trade have been developing rapidly. Fixed asset investment projects have been accomplished quite successfully. All this has laid a sound foundation for accomplishing the annual plan. However, there are still problems that need to be addressed without delay. For example, the annual assignments for increasing agricultural and livestock output are still quite formidable; most state-operated enterprises have production and operation problems and their losses are growing owing to lack of competitiveness; the financial and tax situation in all localities is severe; and the situation with respect to price control is not promising. The regional government urges leading cadres at all levels to provide stronger leadership over economic affairs and make every effort to ensure the accomplishment of all targets set for this year.

Regional chairman Gyaincain Norbu also emphasized at the briefing that departments and leaders at all levels must soberly and correctly understand the economic situation of the second half of the year and change their way of work by conducting investigation and study at grass-roots unit so that they can always place the overall situation of development under control, closely monitor and timely analyze all new economic problems, make overall plans, and come up with contingency measures. He said: Special attention should be given to strengthening the leadership and guidance for agricultural and livestock production and rural and pastoral work. Meanwhile, all departments must work in closer coordination and be courageous in discharging their responsibilities so that they can demonstrate their functions in their entirety. He said: Cadres at all levels, especially those in leading positions, must follow through with the party committee's requirements and properly study General Secretary Jiang Zemin's speech at the forum to mark the 75 founding anniversary of the CPC; and challenge themselves with the assignments of studying and working hard, creating with daring, making conscious contributions, and making themselves stronger and better cadres with real economic expertise so that all assignments can be fully accomplished [Video shows medium and close-up shots of Gyaincain Norbu speaking without notes; Norbu seen sitting at center of end table, with Yang Chuantang sitting on right and Gyamco and Cer-ing Zhuoga sitting on left].

PRC: Importance of Politics in Journalism

OW1707144396 Chengdu SICHUAN RIBAO
in Chinese 5 Jul 96 p 1

[Article by staff reporter Yu Zhen (0151 7201): "Let 'The Need to Pay Attention to Politics' Take Root in the Hearts of Journalists"]

[FBIS Translated Text] Journalists of major central press units stationed in Sichuan and responsible people of the major press units of the province and Chengdu city got together on 4 July to participate in a journalist work forum convened by the provincial party committee.

Xie Shijie, secretary of the provincial party committee; Qin Yuqin, deputy secretary of the provincial party committee; and Xi Yifang, head of the provincial party committee's propaganda department, attended the forum.

Since 1993, the provincial party committee has been calling together journalists of the major central press units stationed in Sichuan and responsible people of the major press units of the province and Chengdu for such forums every two years, a practice that has become a system.

Xie Shijie said at the forum: The hard work of the central press units stationed in Sichuan as well as the press units at the provincial level and throughout the province has pushed forward the province's economic development, promoted the building of the two civilizations, and ensured the province's stability. On behalf of the provincial party committee, he expressed cordial regards and heartfelt thanks to all central press units stationed in Sichuan as well as the province's press units at all levels.

Xie Shijie urged the various press units to organize editors and journalists to earnestly carry out General Secretary Jiang Zemin's directive of "politicians running the papers," and let the concept of politics take root in the hearts of every editor and journalist. Through the right guidance and publicity, we must stimulate the enthusiasm of all cadres and the public in the province and do a good job to reassure the party Central Committee and enable the people to live and work in peace. Journalism and propaganda must be carried out by grasping the central task of economic construction. Every press unit must emphasize this central task and, according to its own characteristics, bring its strong point into full play and fulfill its own role by providing good service for the province and its economic development. As far as journalism and propaganda is concerned, we should adhere to the principle of "grasping two links at the same time" by stressing the propaganda work of building a socialist

spiritual civilization throughout the province. We must concentrate on publicizing model people and cases, and strengthen efforts to improve our work's quality. Leaders of the various press units must adhere to the principle of "having the responsibility of defending the country" by paying attention to politics. We must strengthen the building of our journalist ranks and improve their political and professional qualities. Journalists must put the general interest above all and be disciplined and dedicated.

Qin Yuqin said at the forum: There has been new improvements in the propaganda level of the central press units stationed in Sichuan as well as Sichuan's

various press units in the first half of the year. This has further brought out the theme of bringing journalism closer to the public, thereby highlighting the focus of the publicity; and placed emphasis on the cultivation of talents by coordinating and cooperating in major propaganda work. She hoped that, from now on, the coordination between journalism and propaganda will improve, communications will be strengthened, and propaganda will be further improved.

The forum was held in Chengdu Wanbao's news training center.

Taiwan: 'Assured' Interests Not Damaged By Lake's PRC Visit

OW1907010496 (Internet) Taiwan Central News Agency WWW in English 2356 GMT 18 Jul 96

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — The Ministry of Foreign Affairs said Thursday that in a background briefing on the recent Beijing visit by W. Anthony Lake, a national security advisor to U.S. President Bill Clinton, Washington assured Taipei that its interests have not been harmed.

"Through a 'proper channel,' the U.S. provided a detailed account on the Republic of China (ROC)'s major concerns," Foreign Ministry spokesman Rock Leng said, though he would not elaborate on the details of the US briefing.

Leng said Washington stressed that Lake's visit has not led to any significant change in its "one-China" policy. Though the U.S. agrees that there is only one China, it does not necessarily accept Beijing's interpretation that the People's Republic of China represents the whole of China.

Under the policy, Leng added, Washington neither opposes Taiwan's bid to join the United Nations, nor does it support the bid.

Lake arrived in Beijing on July 6 for a five-day visit, making him the highest-ranking U.S. official to visit Mainland China since 1994. The visit drew special attention because he was reportedly to serve as a go-between to facilitate the resumption of dialogue between Taiwan and mainland.

While there, Lake met with mainland Chinese President Jiang Zemin, Premier Li Peng, Vice Premier and Foreign Affairs Minister Qian Qichen, and Defense Minister Chi Haotian.

Lake was also supposed to meet with Wang Daohan, Beijing's chief negotiator with Taiwan, in Shanghai, but the encounter was dropped because of bad weather, Leng said.

While saying Lake's visit helped "somewhat" to promote peace and stability in the Asia-Pacific, Leng said he did not see any concrete achievements resulting from the trip.

Noting that the visit was intended to pave the way for a leaders summit between Washington and Beijing, Leng said Taipei will not oppose their engagement as long as the ROC's interests are not sacrificed.

Taiwan: Telecommunications Talks With U.S. 'Remain Stalled'

OW1907005196 (Internet) Taiwan Central News Agency WWW in English 2356 GMT 18 Jul 96

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — The telecommunications talks between Taiwan and the United States remained stalled on Thursday, one day before the conclusion of the three-and-a-half-day negotiations.

Tsai Tui, deputy director-general of the Directorate General of Telecommunications (DGT), told the press that the two sides, after hours of closed-door discussions, agreed on only three topics: a neutral stand for the DGT, the regulator of Taiwan's newly opened telecommunications market; a ban on telecommunications companies providing cross-subsidies for certain services; and telecommunications fees.

He admitted that the two sides are still divided over such key issues as the ceiling on foreign investment in the wireless market and the investment/return ratio.

"As there is still a gap between the two sides on crucial issues, these issues are expected to be discussed further tomorrow," said Tseng Lien-feng, deputy director-general of the Board of Foreign Trade (BOFT).

Tseng is also Taiwan's chief negotiator at the talks, which began Monday. The US delegation is led by David Burns, an Asia-Pacific affairs official at the US Trade Representative Office.

In a press conference shortly before the opening of the talks, Burns challenged the restrictions imposed on prospective foreign investments. Foreign investors are allowed to hold up to a 20 percent stake in privately-owned mobile phone companies, he pointed out, but are required to cut their charges whenever their investment/return ratios exceed 11.5 percent.

Tseng said American negotiators had noticed that the Council for Economic Planning and Development's interpretation of the law on foreign investment allows foreign investors to command up to a 60 percent interest in a mobile phone company.

But the broadly defined interpretation of the law has yet to win the approval of the Executive Yuan, Taiwan's Cabinet.

The Legislative Yuan passed three landmark bills earlier this year to fully liberalize the telecommunications market within five years, creating billions dollars worth of business opportunities for telecommunications equipment makers.

Taiwan: Taipei Lodges Protest With Japan Over Tiaoyutai Islands

OW1907010196 (Internet) Taiwan Central News Agency WWW in English 2356 GMT 18 Jul 96

[By Maubo Chang]

[FBIS Transcribed Text] Tokyo, July 18 (CNA) — The ROC [Republic of China] has lodged a strong protest with Japanese authorities after a right-wing Japanese group set up a lighthouse on the disputed Tiaoyutai Islands, known as the Senkaku Islands in Japan.

Chuang Min-yao, ROC representative in Japan, said at a press conference that he sent the protest to Harunori Kara, chairman of the Interchange Association, asking Japan to refrain from infringing on ROC territory before conflicting claims to the islands are resolved peacefully.

He also protested against remarks made by Japanese Cabinet Secretary Seiichi Kajiyama, who said Wednesday [17 July] that the Japanese government would not interfere with the lawful actions of its citizens within its own territory.

Japanese media reports said that a group of Japanese nationalists Sunday built a five-meter tall, solar-powered aluminum lighthouse on Tiaoyutai.

In Taipei, a spokesman for the Foreign Ministry reiterated Wednesday the ROC's sovereignty over the islands.

Taiwan: Official Urges Patience in Dealing With Cross-Strait Ties

OW1807143596 Taipei LIEN-HO PAO in Chinese 14 Jul 96 p 9

[FBIS Translated Text] Cross-strait relations have been in a deadlock for a long time. Kao Kung-lien, Mainland Affairs Council vice chairman, pointed out yesterday: We will never accept the Chinese Communists' preconditions for holding talks. "We must refuse to yield to pressure from the Chinese Communists." If we can create the impression that "we are the reasonable party" in the international community, "we are in a position to continue to deal with the Chinese Communists." People should, therefore, take a patient approach toward the current cross-strait relations.

Speaking yesterday at a forum entitled "Judging Cross-Strait Relations From Lake's Visit to the Mainland," Kao Kung-lien pointed out: The Chinese Communists' current strategy is to exert pressure on us by breaking off consultations and obstructing exchanges, so that we will be driven by anxiety to hold talks on their terms. Kao Kung-lien stressed: "We must refuse to yield to such pressure"; otherwise, we will be capitulating and submitting to the Chinese Communists. Moreover,

we should create the impression that "we are the reasonable party" in the international community so as to consolidate our position in dealing with the Chinese Communists. He said: It will be difficult to achieve a breakthrough in cross-strait relations in the near future. People should show patience in dealing with this situation.

Kao Kung-lien said: The Chinese Communists currently politicize and oppose everything done by the Straits Exchange Foundation [SEF]. Of course, their goal is to exert pressure on us. Under these circumstances, we have adopted a flexible approach by permitting the various competent departments to hold direct consultations with the other side of the Taiwan Strait regarding matters that do not involve government authority, so as to promote cross-strait interaction. As an example, he said: The recent cross-strait talks on cooperation in oil exploration were direct consultations between the competent departments and their counterparts on the other side; the same is true for future talks on simplifying telecommunications services. Matters like these "would get nowhere if they were discussed between the SEF and the Association for Relations Across the Taiwan Strait [ARATS]."

Kao Kung-lien, however, maintained: The Chinese Communists are unlikely to abolish ARATS — their white glove — in the near future. This is because the Chinese Communists have always "had two signs for one set of people." It does not make much difference whether or not the ARATS sign is removed. Moreover, since the Chinese Communists have "come to realize the benefits" of using ARATS and mass organizations, they cannot possibly remove this channel.

On the "one-China" issue, Kao Kung-lien said: If the two sides of the Taiwan Strait return to their consensus on "having their own definitions for one China," there will be no obstacles to resuming consultations. The "one China" that the Chinese Communists now want to impose on us is the "PRC." We cannot accept this. He said: The "one China" that we refer to is "an abstract, post-reunification China in the future."

Taiwan: Official: China's Dogma Biggest Hurdle to Cross-Strait Ties

OW1907104096 (Internet) Taiwan Central News Agency WWW in English 0906 GMT 19 Jul 96

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, July 19 (CNA) — An official in charge of the mainland policy said Friday that the biggest hurdle in the development of cross-strait relations lies in the "one country, two systems" dogma of Mainland China.

Chang Ching-yu, chairman of the Mainland Affairs Council (MAC), said that under the dogma, Beijing has tried to downgrade the Republic of China (ROC) to a local government and block its efforts to seek greater international profile.

Chang said that since President Jiang Zemin made his eight-point statement on unification last year, Beijing has not changed the key note of its policy.

Noting that the government has pushed for the gradual development of cross-strait relations based on sincerity and goodwill for several years, but he said that Mainland China has maintained a hegemonic mentality in dealing with Taiwan, with no regard for the aspiration and well-being of the peoples on both sides of the Taiwan Strait.

He pointed out that this is the major reason why cross-strait relations have seen no major breakthrough despite unilateral efforts by Taipei.

Chang said that Mainland China has deliberately ignored the reality that the two sides of the Taiwan Strait are under separate rule. Due to its insistence on "one country, two systems" dogma, Mainland China has missed a lot of opportunities to improve cross-strait ties.

Chang said that Beijing has never renounced the use of force against Taiwan, though Taiwan has terminated "the period of mobilization against communist rebellions" since 1991.

Chang blasted Beijing for sticking to a wrong belief that the use of force could intimidate Taiwan from promoting independence or foreign interference.

Chang said that because of the stubborn attitude by Beijing, cross-strait ties have not been able to develop on a rational, and equal basis.

Chang said that Beijing's efforts to block Taiwan's efforts to gain international recognition has directly harmed the rights of 21.3 million people on Taiwan, they also cost a tremendous waste of valuable resources on both sides of the Taiwan Strait.

Beijing's perception of Taiwan's pragmatic diplomacy as tantamount to promoting Taiwan independence or "two Chinas," also sets unnecessary restrictions on the development of cross-strait ties, Chang said.

Chang stressed unilateral efforts will be futile in the development of cross-strait ties, and the improvement of cross-strait ties requires efforts from both sides.

Taiwan: Fourth China-Taiwan Relations Academic Symposium Ends

OW1807153696 Beijing ZHONGGUO XINWEN SHE in English 1420 GMT 18 Jul 96

[FBIS Transcribed Text] Beijing, July 18 (CNS) — The 1996 China-Taiwan Relations Academic Symposium, which lasted for two days, ended today. It was the fourth such event to be held since 1991.

The Symposium was jointly organized by the National Society for the Study of Taiwan, the All-China Federation of Taiwan Compatriots and the Taiwan Research Institute of the Chinese Academy of Social Sciences. Fifty scholars from the mainland, 46 scholars from Taiwan, Hong Kong and Macau and many observers from the mainland and Taiwan attended the symposium.

This year's symposium has aroused considerable attention due to the current tensions between Taiwan and the mainland.

Ji Chongwei, vice-president of the National Society for the Study of Taiwan, said that the academic atmosphere of the symposium was unprecedented. Scholars had strengthened mutual understanding through discussion and debate. Those present unanimously agreed that the strengthening of economic and trade cooperation across the Strait was necessary. At the same time, many scholars expressed differing views on so-called "Taiwan consciousness", and there was disagreement between some Taiwanese and Chinese scholars over the argument that the culture of Taiwan was not a part of the Chinese culture.

At the closing ceremony of the Symposium, Mr Ji appealed to people in the mainland and Taiwan to end their separation and unify as soon as possible.

Taiwan: Mainland Oil Official on Boosting Business Ties With Taipei

OW1907012296 (Internet) Taiwan Central News Agency WWW in English 2355 GMT 18 Jul 96

[By Flor Wang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — A ranking official of the mainland-based China National Offshore Oil Corp. (CNOOC) said Thursday that his company hopes to strengthen cooperation with the Taipei-based Chinese Petroleum Corp. (CPC).

CNOOC President Wang Yen expressed the hope that the accord reached between his company and the Overseas Petroleum Investment Co., a CPC affiliate, last week, which is the first between two state-run companies on opposite sides of the Taiwan Strait, will pave the way for more cross-strait cooperative ventures.

Wang made the remarks after paying a visit to the CPC's Kaohsiung headquarters.

Wang and CPC Chairman Chang Tzu-yuan inked an agreement last Friday to cooperate in exploring for oil reserves in the Taiwan Strait and exploiting oil fields found near the mouth of the Pearl River.

Wang said he was impressed by the CPC's management skills, and praised the CPC's refining ability as having reached international standards.

Wang said the CNOOC, which was set up 13 years ago, plans to expand into the manure industry and the trade of oil and liquefied natural gas. There is ample room for further CPC-CNOOC cooperation, he added.

Taiwan: Fujian's Offer of Water Said More Like 'Lip Service'

OW1907101796 (Internet) Taiwan Central News Agency WWW in English 0834 GMT 19 Jul 96

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, July 19 (CNA) — A top official in charge of Mainland China affairs said Friday that Fujian's offer of supplying water to Kinmen would only be a lip service if the mainland Chinese authorities do not show sincerity.

Mainland Affairs Council (MAC) Vice Chairman Kao Kung-lien said if Mainland China is really sincere about providing water to Taiwan's frontline islands of Kinmen and Matsu, they should build dams, pipelines and other related facilities to channel water to the coast, rather than ask Taiwan to do the work.

Meanwhile, Kao reiterated that Taipei is always keeping its door wide open to Mainland China for any kind of negotiations.

Commenting on an unconfirmed report that the Beijing authorities told White House National Security Adviser Anthony Lake during a recent meeting that Beijing is prepared "in principle" to resume cross-strait dialogue with Taiwan, Kao said Taipei has never been informed of the report.

Nevertheless, he noted, Taipei is ready to resume the dialogue, and "we remain highly flexible on time, venue and topics for the talks."

Kao welcomes political issues to be included in the agenda if cross-strait dialogue did resume. Should the talk of unification proved to be too difficult for the two sides to tackle, Kao said, the two sides can discuss other political issues, including end of hostility across the Taiwan Strait, Taiwan's activities in the international

community, and even exchanging of liaison offices between Mainland China and Taiwan.

Taiwan: Defense Minister: 'We Are Ready for War at Any Time'

OW1907083496 Taipei CHUNG-YANG JIH-PAO in Chinese 11 Jul 96 p 4

[By reporter Wu Chi-tsung (0702 0796 4844) from Taipei]

[FBIS Translated Text] Defense Minister Chiang Chung-ling pointed out on 10 July that the purpose of the national troops to complete "comprehensive combat-readiness" is to ensure national security, prevent war, and enable everybody to live and work in peace and contentment. The national troops have a complete plan for implementing this policy and will carry it out step by step.

Chiang Chung-ling made the above remarks in an interview yesterday morning after attending a meeting of the Standing Committee of the Kuomintang Central Committee in view of a newspaper report saying Chief of General Staff Lo Pen-li pointed out in his speech a few days ago that before the year 2003, the national troops will be able to meet the requirements of "comprehensive combat-readiness."

A mass medium asked if the national troops' efforts to meet the requirements of "comprehensive combat-readiness" means arms race with the other side of the strait since the Chinese Communists have planned to complete "comprehensive combat-readiness" by the year 2007. Chiang Chung-ling emphasized that our side has no intention to compete with the other side of the strait. "We are ready for war at any time, but we hope there will be no war."

Taiwan: Ministry of Interior Reports No Emigration Rush in 1995

OW1907015396 (Internet) Taiwan Central News Agency WWW in English 2356 GMT 18 Jul 96

[By Lin Wen-fen]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — A total of 19,384 people emigrated from Taiwan in 1995, compared with 18,778 in 1994, signaling that the war games launched by Mainland China in the Taiwan Strait last September did not spur an emigration rush on the island, the Ministry of the Interior (MOI) said on Thursday.

An MOI-commissioned survey by a polling agency conducted from September 16-30 was also released Thursday. The poll showed that, of the 2,269 people inter-

viewed, 3.5 percent plan to emigrate from Taiwan including 0.7 percent that have applied for emigration, and 2.8 percent that have enquired for relevant information.

Chien Tai-lang, director of the MOI's Population Administration, said that an "emigration rush" did not take place in Taiwan last year, adding that the number of emigrants was actually lower than those recorded from 1988 to 1993.

Chien said that cross-strait relations are still an important factor behind Taiwanese people's decision to leave the country. With the easing of tensions in Taiwan Strait, he predicted, the number of Taiwan emigrants will drop further this year.

Taiwan: President Li Meets Canadian Parliamentarians

OW1907015096 (Internet) Taiwan Central News Agency WWW in English 2356 GMT 18 Jul 96

[By Flor Wang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — There is ample room for the Republic of China and Canada to strengthen bilateral cooperation, as Canada has rich natural resources and advanced technology to meet Taiwan's needs, President Li Teng-hui said Thursday at a meeting with a Canadian parliamentary delegation.

Although the ROC [Republic of China] and Canada do not maintain diplomatic relations, President Li said bilateral trade and commerce relations are close and that the two countries should expand exchanges. Two-way trade between the ROC and Canada accounts for only two percent of the ROC's total foreign trade, he added.

President Li told the six-member delegation that it is unfair that the ROC, a strong economic power and a full-fledged democracy, is excluded from the international community. He called on the international community to look into the ROC's case.

The Canadian parliamentarians said they were impressed with Taiwan's free political climate and prosperous society. They also echoed President Li's view, saying that the two countries should cooperate further.

On behalf of the delegation, Mac Harb of the Liberal Party congratulated President Li on his resounding victory in the March 23 presidential race, and said that they strongly opposed Beijing's military intimidation of Taiwan in the days leading up to his election.

Taiwan: Honduran President Entertains Li Teng-hui at Luncheon

OW1907014796 (Internet) Taiwan Central News Agency WWW in English 2355 GMT 18 Jul 96

[By Maubo Chang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — President Li Teng-hui lauded Honduran President Carlos Roberto Reina as a great political leader on Thursday, saying that his visit to Taipei has consolidated the friendship between Taipei and Tegucigalpa.

Li said at a luncheon given by Reina that the ROC [REpublic of China] hopes to step up cooperation with Honduras on the basis of reciprocity and equality.

Also present at the luncheon were the wives of the two heads of state.

Reina arrived here Monday on a 6-day state visit. He is scheduled to leave Saturday.

Taiwan: Honduran President Recalls Welcome at National Assembly

OW1907012196 (Internet) Taiwan Central News Agency WWW in English 2355 GMT 18 Jul 96

[By Yen Ling-ju]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — On the tail end of his state visit to Taiwan, Honduran President Carlos Roberto Reina remembered the warm welcome he was given at the National Assembly by deputies from different parties who agreed at the last minute to set aside their filibuster tactics and listen to Reina's speech.

"It was a very touching moment," Reina said in an interview with CNA, "because I have been a politician for 50 years and I know the environment." Pledging full support for the ROC's [Republic of China's] bid to re-enter the United Nations, Reina was also the first foreign head of state to address the National Assembly in Chinese history.

Before Reina gave his speech on Tuesday afternoon [16 July], opposition party leaders had claimed they would withdraw from the assembly during Reina's address in protest of speaker Fredrick Chen's bias in presiding over the session.

During Reina's visit to Taiwan, the Republic of Honduras, which has a seat in the UN Security Council, formed a "strategic alliance" with the Republic of China [ROC].

"On the one hand, we will give all our support (to the ROC) at the United Nations in the hope that the ROC

will be recognized and will be a member again of that international body," Reina said.

"On the other hand, we will receive assistance in technological, agricultural, and industrial development and investment by Chinese entrepreneurs in Honduras," Reina said, adding that there are seven industrial parks owned by Taiwanese businessmen in the Central American country.

Although leading a 23-member delegation for a five-day official visit was a hectic, energy-consuming schedule for the 70-year-old Honduran president, Reina said he will bring home the ROC government's promise to increase investment in Honduras, as well as a lot of special memories.

"I was decorated by President Li Teng-hui, which is a great honor for me. And today, I will receive an honorary doctorate at Fu-jen Catholic University, which is very prestigious. This will be a great moment in my life because I taught at the Honduran Central University for 25 years," Reina said.

Reina told CNA that he believes receiving these honors on the other side of the world is compensation for his efforts to promote a "moral revolution" in Honduras aimed at changing the style of government to avoid corruption and improve education, skills, and trade syndicates.

Asked about the meetings with his ROC counterpart, Reina recalled first meeting Li in Costa Rica years ago, and described him as more confident now "because he has passed the test of the presidential election."

After four days in Taipei, Reina said: "I am really impressed not only by the beautiful city and country, but also by the development, by the way in which the people of the ROC have developed this country."

He added that the firm, friendly ties between the ROC and Honduras are even more precious because the two countries are located on opposite sides of the world.

Taiwan: Visiting Honduras President Honors CNAIC Chairman

OW1907014996 (Internet) Taiwan Central News Agency WWW in English 2356 GMT 18 Jul 96

[By Lin Wen-fen]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — Visiting Honduran President Carlos Roberto Reina on Thursday conferred the Order of Francisco Morazan in the rank of knight on Jeffrey Koo, chairman of the Chinese National Association of Industry and Commerce (CNAIC), in recognition of his contribution to promot-

ing trade relations between Taiwan and Central and South America.

Reina said that Koo for years has helped enhance economic and cultural exchanges between Taiwan and Central and South America by leading a number of trade missions to the region. Koo was the first ROC national to be granted the Honduran government's highest civilian honor, Reina added.

The order was established in commemoration of Honduran national hero Francisco Morazan, the main figure that led Central and South American countries to form a federation in 1830. Although the federation lasted for only a few years before breaking up, Morazan is remembered as a symbol of a united and cooperative Central and South America.

Koo's devotion to expanding Taiwan's global trade ties has earned him the nickname "ambassador of economics and trade." Under his leadership, the CNAIC has signed cooperation agreements with more than thirty countries that do not maintain diplomatic relations with Taiwan.

Under the agreements, the CNAIC holds annual bilateral meetings with its counterparts that serve as an important communication channel for both sides to exchange views on economic and trade issues.

Taiwan: TAIWAN JIH PAO To Cease Publication 15 Jul

OW1907083996 Taipei Broadcasting Corporation of China News Network in Mandarin 2300 GMT 13 Jul 96

[From the "Hookup" program]

[FBIS Translated Excerpt] Thirty years after its founding, TAIWAN JIH PAO [TAIWAN DAILY NEWS] will cease publication on 15 July due to improper management. Its employees have no alternative but to accept this fact. [passage omitted]

Taiwan: Newspaper Workers Threaten To Burn KMT Membership Cards

OW1907084096 Taipei CHUNG-KUO SHIH-PAO in Chinese 15 Jul 96 p 4

[By reporter Fan Chiang-hao (5400 1203 6275) and Chao Hsiao-ning (6392 2556 1337) from Taichung]

[FBIS Translated Text] The Workers and Staff Self-Help Society organized by the TAIWAN JIH-PAO Trade Union announced on 14 July that it will take over the operation and publication of the newspaper and will continue publication. Besides, if the Defense Ministry and other departments concerned make no meaningful

response to the protest of the workers and staff, the members will, on 17 July, burn their Kuomintang [KMT] membership cards and go to the Kuomintang Central Committee, the Defense Ministry, the boards of directors of the Taiwan Newspaper Foundation, and other organizations to express their protest.

The Taiwan JIH-PAO Trade Union held a meeting to discuss various problems yesterday afternoon. The workers and staff, including members and nonmembers of the trade union, went to work as usual and waited for further information.

The trade union finally decided to take over the operation and publication of the newspaper and continue to publish the newspaper in a bid to help themselves because the newspaper's administration unilaterally made the announcement of disbanding the newspaper.

Besides, the views of the workers and staff were already relayed to the Defense Ministry on 13 July through Wan Te-chun, chairman of the board of directors of the newspaper and director of the newspaper, and they hoped the Defense Ministry would respond in three days beginning 13 July. The trade union has decided to launch protest activities beginning 17 July if no meaningful response is made by the Defense Ministry in this period. The activities will include the burning of Kuomintang membership cards, going to the Kuomintang Central Committee to protest on 17 July, going to the Futu Restaurant run by Hsu Heng, the recently resigned chairman of the board of directors, to protest on 19 July, and going to the Defense Ministry and the Legislative Yuan to protest on 20 July.

The Self-Help Society said that if necessary, they will also go to protest at the Taiwan Newspaper, Culture, and Education Foundation, the Li Ming Culture and Education Foundation, the China Television System, and the boards of directors of other share-holding organizations.

At 1000 on 18 July, the TAIWAN JIH-PAO Trade Union will also hold a plenary meeting to be attended by all members within the province and abroad to discuss matters of fundamental importance.

The trade union also said that the capital of the newspaper totals New Taiwan (NT)\$670 million, including 22 million shares of the Li Ming Foundation, which amount to NT\$220 million, 20 million shares of the Taiwan Newspaper, Culture, and Education Foundation, which amount to NT\$200 million, 15 million shares of the China Television System, which amount to NT\$150 million. There are 10 million shares of other undertakings, which amount to NT\$100 million. If necessary,

the trade union will go to protest to all the boards of directors of the newspaper formed by share-holders.

Taiwan: Government Deficit at Record High in Fiscal 1995

OW1907014896 (Internet) Taiwan Central News Agency WWW in English 2355 GMT 18 Jul 96

[By Maubo Chang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — The government deficit hit a record high of NT\$350.7 billion (US\$12.98 billion) in the fiscal year ended June 1995, according to a report prepared by the Finance Ministry on Thursday.

That figure represents an increase of NT\$27.1 billion (US\$1 billion) from a year earlier.

Government bonds and loans made up a higher proportion of government income, while debt payment has become the second largest item of governmental expenditure.

Social welfare spending rose to rank as the fifth largest item of governmental expenditure, followed by administrative spending, which dropped to 10.7 percent of the total.

The breakdown of the government deficit is as follows: NT\$150.1 billion (US\$5.55 billion) from the central government; NT\$121 billion (US\$4.48 billion) from the Taiwan Provincial Government; NT\$13.9 billion (US\$71 million) from Taipei City Government; NT\$2.4 billion (US\$88 million) from the Kaohsiung City Government; and US\$17.9 billion (US\$662 million) from other local governments.

Taiwan: Finance Ministry Reports Increase in Government Assets

OW1907015496 (Internet) Taiwan Central News Agency WWW in English 2356 GMT 18 Jul 96

[By Flor Wang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — Government assets increased to NT\$3.41 trillion (US\$121.8 billion) at the end of 1995, up NT\$428.7 billion, or 14.4 percent, from the same time a year earlier, according to an annual report released Thursday by the Ministry of Finance.

Land value increased the most among all items of state-owned assets, jumping 18.6 percent, or NT\$304.7 billion, from the previous year, the ministry said. The value of buildings and attached facilities posted the second-largest growth of 13.2 percent, or NT\$38.8 billion, followed by stock shares, which rose 1.2 percent, or NT\$57.1 percent, in value.

Hong Kong**Hong Kong: Commander Reaches 'Consensus' on Hong Kong Defense***OW1807135396 Beijing Central Television Program One Network in Mandarin 1100 GMT 18 Jul 96*

[Announcer-read report over video; from the "National News Hookup" program]

[FBIS Translated Text] The visit to Hong Kong by Major General Liu Zhenwu, commander of the Chinese People's Liberation Army Garrison in Hong Kong, has ended successfully. During the three-day visit, Commander Liu Zhenwu held talks with Bryan Dutton, commander of the British Forces, on the question of handing over Hong Kong's defense, and reached consensus on this matter.

[Begin Liu recording] Both sides hold that the handover of defense is an important part of the handover of political power. Cooperation between our two forces is very beneficial to the future handover of political power, Hong Kong's smooth transition, as well as Hong Kong's prosperity and stability. [end recording]

Major General Bryan Dutton, commander of the British forces in Hong Kong, said the visit will be helpful to the smooth handover of Hong Kong's defense next year.

Hong Kong: Commander Reaches Accord on Hong Kong Defense*OW1807145596 Beijing XINHUA in English 1446 GMT 18 Jul 96*

[FBIS Transcribed Text] Hong Kong, July 18 (XINHUA) — Major General Liu Zhenwu of the Chinese People's Liberation Army (PLA) said today that the co-operation between the PLA Garrison Troops and the British Garrison will greatly benefit the smooth transition, prosperity and stability of Hong Kong.

Liu, who is commander of the PLA troops to be garrisoned in the Hong Kong Special Administrative Region, ended his two-day visit in Hong Kong and returned to Shenzhen, where the PLA Garrison Troops are stationed.

At a press briefing before his departure this morning, Liu said that although the visit was short, it was very successful. During the visit, the two sides carried out very friendly exchanges, which is actually the exchange of friendship between the two military forces.

He said that he exchanged ideas with Major-General Bryan Dutton, commander of the British Garrison, on the transfer of defense affairs and some other related issues, and an agreement was reached on the defense issue.

Liu started his first visit to the territory on Tuesday [16 July] at the invitation of Major-General Dutton. In the past two days he inspected a formal Guard of Honor of the British Forces in Hong Kong, held talks with his British military counterpart and visited British Garrison units.

Hong Kong: PLA Garrison Warned Against Fast Women, Fast Money*HK1807051296 Hong Kong SOUTH CHINA MORNING POST in English 18 Jul 96 p 4*

[By Emma Batha]

[PTS Transcribed Text for FBIS] People's Liberation Army [PLA] soldiers to be stationed in Hong Kong will be given lessons on "the dangers of fast women and fast money", a military expert revealed yesterday.

Troops coming to the territory will also undergo "political indoctrination" courses and be warned off mixing with foreigners.

Details of the classes follow news Hong Kong's future PLA leader is priming soldiers with a politics course, "Revolutionary Life Philosophy". Major-General Liu Zhenwu, on his first visit to the territory, is also preparing a study programme called "The Pursuit of Life Values for Revolutionary Warriors".

A leading defence expert said classes on political indoctrination were a normal part of training for PLA soldiers.

"They will read the works of Deng Xiaoping and learn about discipline and loyalty to the party," he said. "The classes are primarily to define and ensure their political correctness.

"Aspects include how to restrain yourself from decadent behaviour" and courses "warning soldiers against the dangers of fast women and fast money".

Beijing has already said the future garrison, numbering 9,000 to 10,000 soldiers, will receive lessons on the Basic Law and Hong Kong life.

But the military expert said they would also be instructed on the risks of democracy, foreigners and negative political influences.

"The soldiers will be told not to accept gifts and will have to report any contact with foreigners," he said.

**Hong Kong: PLA Garrison Commander Ends
3-Day Visit 18 Jul**

*OW1807235796 Hong Kong Television Broadcasts
Limited in English 1130 GMT 18 Jul 96*

[FBIS Transcribed Text] The commander of the future People's Liberation Army [PLA] Garrison in Hong Kong has returned to China after his first visit to the territory. Major General Liu Zhenwu said he reached a consensus with the British forces on the question of defense of Hong Kong, but the two sides have yet to decide on rules and regulations on the operations of the PLA here in the future. Jennie Lam reports:

[Begin recording] [Lam] The PLA general, who described Hong Kong as the Pearl of the Orient, was escorted by the commander of the British forces on his departure from the territory. During his three-day visit, Major General Liu Zhenwu inspected military facilities here and held discussions with the British side on the transfer of defense responsibility.

[Male voice speaking in Mandarin] In particular, we reached a consensus on defense affairs. Both sides believe that the handover of defense affairs is an important part of the transfer of political power. Cooperation between our two forces is very useful to the future transfer of political power and to Hong Kong's smooth transition, prosperity, and stability.

[Lam] The PLA Garrison to be based in Hong Kong would be much bigger and larger than the British forces in recent years. But negotiations on, for example, how the troops would be charged if they break the law have yet to be finalized.

[Male voice speaking in English] I think we have made clear as to what our relations should be within Hong Kong's laws at present. And we would hope that a similar character would be displayed between the future Chinese Garrison and the people of Hong Kong. Because that is who they support there and that is exactly what similar character is being sought [sentence as heard].

[Lam] The Chinese general was apparently keen to see how his army could work here without being haunted by the press, but he was also grateful for the attention.

[Male voice speaking in Mandarin] On behalf of the officers and men to be stationed in Hong Kong, I express my heartfelt thanks and best wishes to the reporters. Thank you.

[Lam] It was the first official visit to Hong Kong by such a senior-ranking officer of the PLA. Both the Hong Kong Government and the British forces here say more

visits at this time and in the future would help the transition.

Jennie Lam, TVB news. [end recording]

**Hong Kong: PLA Garrison Chief Advised To Be
"Frank" With Public**

*HK1907054596 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 96 p 8*

[By Emma Batha and Zorian Wong]

[PTS Transcribed Text for FBIS] The future chief of the PLA [People's Liberation Army] garrison in Hong Kong has been warned to be "Open and Transparent" about the activities of his troops.

As Major-General Liu Zhenwu ended his first visit to the territory yesterday he was advised by the Commander British Forces, Major-General Bryan Dutton, to be frank with the public because "there was plenty of scope for misunderstanding".

Both sides hailed this week's visit as a "great success".

Before boarding an RAF helicopter back to the border General Liu, 52, said talks between the two garrisons had been "very friendly".

"Both of us agreed that the defence transfer is an important part of the transfer of political power," he said.

"Co-operation between the two forces is very beneficial to the next step of political transition, to the smooth transfer and to Hong Kong's prosperity and stability."

He praised the Hong Kong garrison for its "well-trained force, good spirits and good manners".

The general, who appeared unfazed by the barrage of press cameras, stressed the news media provided a "very important bridge" between the People's Liberation Army and the public.

His short farewell speech at Wan Chai helipad was greeted with loud applause from a group of curious workmen peering through the fence.

But in contrast to the British commander, the PLA chief avoided media questions.

When the helicopter left, General Dutton said: "My best advice to General Liu is to be open with the press and with the people of Hong Kong as to the composition (of the troops) and the approach the garrison is taking to their future tasks.

"I believe there is plenty of scope for misunderstanding and this is best overcome by a free exchange of views and transparency."

General Dutton said he had not talked with General Liu about the legal structure which will govern the Chinese garrison.

"It is a matter of wide concern and a matter being approached through the Joint Liaison Group and that's the proper medium through which it should be discussed," he said.

"I think the Chinese have a firm commitment to the provisions of the Basic Law."

No date has been fixed for the PLA chief's next visit, but General Dutton said he was sure he would return before the handover.

Hong Kong: PLA Garrison Commander Says Troops 'Civilized'

OW1807005796 Hong Kong Television Broadcasts Limited in English 1130 GMT 17 Jul 96

[Report by unidentified correspondent; from the "News at 8:00" program]

[FBIS Transcribed Text] The head of the Chinese army's future garrison in Hong Kong [HK] is trying to calm local fears about the People's Liberation Army [PLA]. Major General Liu Zhenwu, who is paying a visit to the territory, said his troops will be civilized.

[Begin recording] [Correspondent] A relaxed General Liu left his hotel this morning, trying to win hearts rather than battles.

[Liu, in Mandarin] We have consistently used actual deeds to demonstrate the civilized image of our PLA. Second, we want to explain clearly to our Hong Kong compatriots the nature and purpose of our People's Army. Thus, they will understand us.

[Correspondent] Seemingly aware of jitters over the stationing of PLA troops in the territory, Liu pledged to outline the code of behavior for the PLA garrison some time soon, but he wouldn't comment on the role and deployment of Chinese troops. On day two of his three-day visit, the general was taken by helicopter to the Sek Kong Military Base, the site the PLA will move into next year. He met members of the Royal Gurkha Rifles and the RAF [Royal Air Force]. Today also included Stonecutters Island Naval Base and a search-and-rescue display by a [words indistinct]. The Chinese commander will leave Hong Kong tomorrow. [end recording]

Hong Kong: Future PLA Garrison Chief: No Reason To Fear Troops

HK1807051096 Hong Kong HONGKONG STANDARD in English 18 Jul 96 p 3

[By Yonden Lhatoo and Yau Wai-ping]

[PTS Transcribed Text for FBIS] The head of China's future garrison in Hong Kong yesterday sought to allay residents' fears about the People's Liberation Army (PLA) by guaranteeing that the conduct of his troops would be "civilised".

On the second day of his visit to the territory, Major-General Liu Zhenwu said the people of Hong Kong had no reason to fear his troops.

"We have always illustrated the image of the PLA as a civilized army with our deeds," Gen Liu said.

"We will explain clearly to our compatriots in Hong Kong the nature and principles of the PLA. Then they will be able to understand us."

Reports of corruption on the mainland have increased public concern about the presence of PLA soldiers in Hong Kong after the transfer of sovereignty.

But Chinese authorities have said the PLA troops will be confined to barracks and will not be allowed to engage in business activities in Hong Kong.

Gen Liu said military laws governing the PLA were being discussed and studied during his visit, but he refused to disclose details.

A Royal Air Force (RAF) Wessex helicopter took Gen Liu and his party yesterday morning to Long Harbour, where a fast pursuit craft took him for a spin before leaving him on board the Peacock, one of the last remaining Royal Navy ships in Hong Kong.

A search and rescue exercise in conjunction with the RAF was conducted for his benefit and he later was flown to the RAF base in Sek Kong.

There Gen Liu and his party were received by Lieutenant Colonel Bijay Kumar Rawat, commander of the First Battalion, Royal Gurkha Rifles.

He inspected a guard of honour before watching displays in shooting, swimming and unarmed combat, a reflection of the displays which the Hong Kong delegation was shown when it visited the Shenzhen garrison in January.

The Chinese officials were treated to a traditional Gurkha curry before flying to Stonecutters Island to inspect the new naval base being built for the PLA.

After yesterday's tour, Gen Liu said he had been "very impressed" with what he had seen.

Hong Kong: Legal Panel on Hong Kong Residents Identity

OW1707133896 Beijing XINHUA Domestic Service
in Chinese 1438 GMT 15 Jul 96

[FBIS Translated Text] Beijing, 15 Jul (XINHUA) — The Hong Kong Special Administrative Region [HKSAR] Preparatory Committee Legal Panel held its fourth session in Beijing on 14-15 July. The meeting discussed and proposed suggestions on the implementation of Clause 2 of Article 24 of the Basic Law.

Panel members held that when implementing Clause 2 of Article 24, we should use the following three guidelines:

First, we should handle identification issues on Hong Kong permanent residents in accordance with the PRC Nationality Law, the explanation of the implementation of the Nationality Law in Hong Kong made by the National People's Congress [NPC] Standing Committee, and the relevant Basic Law stipulations.

Second, in an effort to facilitate Hong Kong's smooth transition, stability, and prosperity, we should try our best to ensure that the rights of those — who have the right of abode in Hong Kong before 30 June 1997 and who will continue to stay, live, and work in Hong Kong — will be maintained and not affected by the transfer of power and the change of law.

Third, to maintain normal order in the control of HKSAR entry and exit, we should let Hong Kong's existing laws and stipulations that are effectively governing entry to and exit from Hong Kong to remain unchanged as much as possible, except for those contravening the Basic Law.

On the basis of the above guidelines, the Legal Panel made the following preliminary proposals:

1. Chinese citizens stipulated in Section 1, Clause 2, Article 24 of the Basic Law are children born in Hong Kong of one or both parents who are legitimate residents in Hong Kong. Children born in Hong Kong of parents who entered Hong Kong illegally, who stay behind in Hong Kong after their visas expire, or who stay in Hong Kong temporarily, are excluded.

2. The following situations are not termed "ordinary residence," stipulated in Section 2, Clause 2, Article 24 of the Basic Law:

(1) Those who entered Hong Kong illegally or who entered Hong Kong illegally at first and stay in Hong

Kong afterward after the Immigration Department director granted them permission.

(2) Those who stay behind in Hong Kong in violation of the conditions stipulated in their visas, or because of other conditions.

(3) Those who stay in Hong Kong as refugees.

(4) Those who are detained in Hong Kong in accordance with laws, or who are sentenced to jail by courts.

(5) Those who are allowed to stay in Hong Kong in accordance with special government policies.

3. When evaluating Chinese citizens who have ordinarily resided in Hong Kong for a "continuous period of seven years," stipulated in Section 2, Clause 2, Article 24 of the Basic Law, the continuous period of seven years can begin from any time. When evaluating people of non-Chinese nationality who ordinarily resided in Hong Kong for a "continuous period of seven years," stipulated in Section 2, Clause 2, Article 24 of the Basic Law, the continuous period of seven years should be the period immediately before they apply for the status of HKSAR permanent residents.

4. Section 3, Clause 2, Article 24 of the Basic Law stipulated: For people of Chinese nationality born outside Hong Kong of those residents listed in Clauses 1 and 2, Article 24 of the Basic Law, at their births, one or both of their parents must have attained HKSAR permanent resident status in accordance with Section 1 or 2, Clause 2, Article 24 of the Basic Law.

5. Specific requirements of Section 4, Clause 2, Article 24 of the Basic Law for people of non-Chinese nationality who apply for permanent residents in Hong Kong are as follows:

(1) When applying for HKSAR permanent resident status, applicants must sign, according to law, a statement expressing their wishes to become permanent residents in Hong Kong.

(2) When making the above statement, applicants must truthfully reveal their personal particulars as follows so that the HKSAR Government may use them as reference when examining and approving their applications for HKSAR permanent resident status:

(A) Whether they have a regular dwelling place (regular residence) in Hong Kong;

(B) Whether their key family members (spouses and underaged children) normally reside in Hong Kong;

(C) Whether they have legitimate occupations or steady sources of incomes in Hong Kong;

(D) Whether they pay taxes according to laws in Hong Kong.

(3) Applicants must shoulder legal liabilities for the truthfulness of the declarations in their statements. If necessary, the HKSAR Government is entitled to require applicants to produce documents and materials to verify their declarations. If it is discovered that their declarations are false, the HKSAR Government may, according to law, make decisions to handle their cases, including decisions to revoke their permanent residents' identity cards.

(4) Except for special reasons, people of non-Chinese nationality who have attained permanent resident status in Hong Kong and who have not resided continuously in Hong Kong during a normal time period (the specific time limits shall be set by the HKSAR) shall be termed as having failed to fulfill the requirement that Hong Kong is their place of permanent residence. Hence, their status as permanent residents in Hong Kong may be revoked according to law, and they will no longer have the right of abode in Hong Kong. However, they may enter Hong Kong in accordance with the law; stay in Hong Kong without restriction; and become HKSAR permanent residents when they can fulfill relevant stipulations of Clause 2, Article 24 of the Basic Law.

6. For children of people of non-Chinese nationality stipulated in Section 5, Clause 2, Article 24 of the Basic Law who were born in Hong Kong and who are under 21 years of age, at or after their births, one or both of their parents must have acquired permanent Hong Kong resident status in accordance with Section 4, Clause 2, Article 24 of the Basic Law. Once they reach 21, the above-mentioned children who are entitled to permanent Hong Kong resident status can enjoy such status if they fulfill the requirements of other relevant stipulations of Clause 2, Article 24 of the Basic Law.

7. Those who acquire permanent Hong Kong resident status in accordance with Section 6, Clause 2, Article 24 of the Basic Law must declare themselves only having the right of abode in Hong Kong immediately before 1 July 1997; and if necessary, they have to prove that they only have the right of abode in Hong Kong.

8. For those who are holders of permanent Hong Kong resident identity cards and who have the right of abode in Hong Kong prior to the establishment of the HKSAR, the following transitional arrangements are to be made:

(1) For Chinese citizens among the above-mentioned group of people, their permanent Hong Kong resident identity cards will continue to be valid after 1 July 1997 and they will have the right of abode in the HKSAR.

(2) For people of non-Chinese nationality among the above-mentioned group of people, if they resided in Hong Kong before 1 July 1997, their permanent Hong Kong resident identity cards will continue to be valid and they will have the right of abode in the HKSAR.

(3) For people of non-Chinese nationality among the above-mentioned group of people who return to and reside in Hong Kong after 1 July 1997, if the period of continuous absence from Hong Kong goes beyond the stipulated time limit, their permanent Hong Kong resident identity cards should be revoked and they will no longer have the right of abode in Hong Kong; but they may enter Hong Kong according to law, reside in Hong Kong without restriction, and become permanent HKSAR residents if they fulfill the requirements of relevant stipulations of Clause 2, Article 24 of the Basic Law.

The panel's above-mentioned opinions will be submitted to the Preparatory Committee's plenary session, which is to be held in August, for deliberation.

Regarding the status issue of children given birth by couples who are not married to each other, which is a social concern in Hong Kong, members considered that relevant stipulations of the existing laws in Hong Kong can be retained and that those who do not fulfill the requirements of relevant stipulations will not have the right of abode in Hong Kong.

The panel also discussed matters that require legislation on the part of the provisional Legislative Council [Legco]. Members considered that some of the laws, such as the one related to the implementation of Clause 2, Article 24 of the Basic Law and the question of amending the Hong Kong Court of Final Appeal Ordinance to make it completely fit in with the Basic Law, must be resolved by the provisional Legco through legislation, and this is indispensable for guaranteeing that the HKSAR will run normally right from its founding day.

Hong Kong: Hong Kong Name, Flag in Sports Meets to Change After 1997

OW1707165296 Beijing XINHUA in English
1611 GMT 17 Jul 96

[FBIS Transcribed Text] Atlanta, July 17 (XINHUA) — The name, flag and anthem of Hong Kong in sports meets will be changed after China resumes the exercise of her sovereignty over Hong Kong in mid-1997, Chinese Olympic Committee Secretary General Wei Jizhong said here Wednesday.

Wei told a pre-Olympic Games press conference that as the Basic Law of the Hong Kong Special Administrative

Region stipulates, the name of Hong Kong will be changed to Chinese Hong Kong, the flag will be that of the Hong Kong Special Administrative Region, and the anthem will be the National Anthem of the People's Republic of China.

After July 1, 1997, athletes of Hong Kong can take part in international competitions including the Olympic Games as an individual group, the secretary general said. "This will give Hong Kong athletes more chances to compete internationally," he added.

Hong Kong: International Mobile Phone Service Begins to Hong Kong

OW1907012496 Beijing ZHONGGUO XINWEN SHE in English 2327 GMT 18 Jul 96

[FBIS Transcribed Text] Beijing, July 18 (CNS) — The Ministry of Posts and Telecommunications and Hong Kong Telecom's Communications Service Limited signed the GSM Digital Mobile Phone Roaming Communications Agreement in Beijing today, and the mobile phone link between China and Hong Kong was immediately started up. It is now possible to dial directly from Beijing to Hong Kong on a mobile phone.

This is the first time that international dialling has been available to China's mobile phone users, showing that China has made considerable advances in its adoption of the Global System for Mobile Communication (GSM).

In 1987, posts and telecommunications departments in China started the provision of analogue mobile phone services. By January this year, China's roaming communication installations had covered the whole country.

China's analogue mobile phone network is the largest in the world both in terms of users and area covered.

At the beginning of 1995, posts and telecommunications departments introduced the advanced GSM digital mobile phone technology from overseas and started providing digital mobile phone services. At present, digital mobile phones can be used in 23 provinces, autonomous regions and many cities.

After opening up roaming communications with Hong Kong, the Ministry of Posts and Telecommunications departments will go on to set up GSM links with other countries and regions later this year.

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